# Congressional Digest

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# \* LEGISLATIVE DEPARTMENT ...

## The 70th Congress Convenes

Duration of the 69th Congress, March 4, 1925-March 4, 1927 First, or "Long" Session, Convened December 7, 1925. In Session

In the Senate

Membership Total—96

47 Democrats 46 Republicans 1 Farmer-Labor \*3 Vacancies

Presiding Officer President: Charles G. Dawes, R. Vice-President of the United States

Majority Leader Charles Curtis, Kansas, R.

Floor Leaders Minority Leader Joseph T. Robinson, Ark., D. In the House

Membership Total-435

195 Democrats 237 Republicans 2 Farmer-Labor z Socialist

> Presiding Officer Speaker: Nicholas Longworth, R. Member of the House from Ohio

> > Floor Leaders

Majority Leader Finis J. Garrett, Tenn., D. John Q. Tilson, Conn., R.



ONGRESS has not been in session since March 4, 1927, when the 69th Congress automatically came to an end. The regular time for the first session being on the first Monday in December in the year following the election and continuing until the work before the Congress is completed, the 70th ongress convened on December 5, 1927.

This is the first session and is indeterminate in length. It is commonly called the "long session." The Second Session begins on the first Monday in December of the following year and automatically comes to an end on March 4 of the year following, when the two-year period for which each House and one-third of the Senate is elected has expired. This is known as the "short session."

THE full membership of the House and the one-third membership of the Senate elected in 1926 came into full possession of the title and prerogatives of their offices on March 4, 1927, when the gavel fell on the 69th Congress. If any member of the House or a member of the Senate, whose term expired on March 4, 1927, had not been reelected in 1926, he gave up all connection with his office on March 4 to the man elected to succeed him.

Upon the March 4 following his election, a member of the House or the Senate goes on the official rolls as a memberelect of the body to which he has been elected. This means that he draws his salary from that date, has the right to occupy office rooms in the House or Senate Office Building and is authorized to use the free mail, or franking privileges on all mail he sends out relating to official matters.

However, he is not a member of any committee until a session of Congress, either regular or extraordinary, begins, since, until the House and the Senate organize, no committees are in existence. Furthermore, his seat is subject to contest in case of a charge of fraud or other irregularity in his election. In this event his right to his seat is challenged within 30 days of the ascertainment of the result of the election and the matter is referred to a committee on elections to determine and report.

In the event he is unseated, or denied a seat, his name is stricken from the rolls. Sometimes his opponent is seated and sometimes the whole election is thrown out, as, for example, where it is proved that fraud permeated it.

THE withholding of the oath of office from Senators-elect Smith and Vare left the Republicans in the Senate this year with 46 votes and the Democrats with 47. Senators Henrik Shipstead of Minnesota, member of the Farm-Labor party, decided to vote with the Republicans on the organization of the Senate. This gave the Republicans 47 votes to 47 for the Democrats. The right of the Vice-President to vote in case of a tie gave the Republicans a majority of one.

On December 15 Senator Charles Curtis of Kansas, Republican leader, brought up the election of Senate officers by introducing a resolution for the election of Senator George H. Moses (R.) of New Hampshire as President pro tempore. Senator Joseph T. Robinson of Arkansas, Democratic leader, offered an amendment to the Curtis resolution calling for the election of Senator Key Pittman (D.) of Nevada as President pro tempore. On a roll call the Robinson amendment was defeated, 42 to 39. Twelve Senators were recorded as paired and not voting. Upon the rejection of the Robinson amandment the original Curtis resolution was adopted without a roll call and Senator Moses declared

<sup>\*</sup>Oath of office withheld from Senators-elect Frank L. Smith (R.) of Illinois, and W. S. Vare (R.) of Pennsylvania, pending investigation by special committee of the Senate.

The third vacancy is due to the passing, on December 20, 1927, of Senator Andrieus A. Jones (D.) of New Mexico.

Then followed the election of the Secretary and Sergeantat-Arms. Senator Robinson offered amendments to the Curtis resolutions in each case. The Democratic candidates were voted down on a roll call and the Republican candidates were then elected without a roll call.

Edwin P. Thayer (R.) of Indiana, was elected Secretary

over Edwin A. Halsey (D.) of Virginia.

David S. Barry (R.) of Rhode Island, was elected Sergeant-at-Arms over J. L. Dobell, of Montana.

Senator Moses, Mr. Thayer and Mr. Barry held these positions in the 69th Congress. Senator Moses had to be reelected President pro tempore this year because his term as Senator expired with the 69th Congress and he began a new term with the 70th Congress.

The Senate, upon recommendation of a special committee appointed by the Republican Caucus to interview candidates, unanimously elected the Rev. ZeBarney T. Phillips, Rector

of Epiphany Protestant Episcopal Church, Washington, D. C., Chaplain of the Senate to succeed Rev. J. J. Muir, who passed on after the end of the 69th Congress.

OF the twelve new committee chairmen, eight take places made vacant by the defeat, in the 1926 elections, of Senators who held chairmanships in the 69th Congress while the other four take the places of Senators given other com-

mittee chairmanships.

In the former instances Senator Howell takes Claims in place of Senator Means of Colorado; Senator Frazier takes Indian Affairs in place of Senator Harreld of Oklahoma; Senator McLean takes Manufactures in place of Senator Weller of Maryland; Senator Reed of Pennsylvania takes Military Affairs in place of Senator Wadsworth of New York; Senator Bingham of Connecticut takes Printing in place of Senator Pepper of Pennsylvania; Senator Shortridge takes Privileges and Elections in place of Senator Ernst of Kentucky; Senator Keyes takes Public Buildings and Grounds in place of Senator Lenroot of Wisconsin, and Senator Nye takes Public Lands and Surveys in place of Senator Stanfield of Oregon.

In the latter instances Senator Deneen takes Audit and Control of the Contingent Expenses of the Senate in place of Senator Keyes; Senator Norbeck takes Banking and Currency in place of Senator McLean; Senator Sackett takes Expenditures in the Executive Departments in place of Senator Reed of Pennsylvania, and Senator Robinson of Indiana takes Pensions in place of Senator Norbeck.

AT noon on December 5, 1927, William Tyler Page, Clerk of the House in the 69th Congress, called the House to order. After the prayer by the Chaplain, the business of organizing the House was taken up.

This year the organization of the House was simplified because the Republicans have a majority of 39 votes in the 70th Congress, there being 237 Republicans and 195 Democrats, 2 Farm Labor and 1 Socialist in the House.

The Conference of the Republican members of the House renominated the entire list of officers of the House in the 69th Congress, as follows:

Speaker of the House-Nicholas Longworth, member, Ohio.

Clerk of the House—William Tyler Page, Maryland. Sergeant-at-Arms—J. G. Rogers, Pennsylvania. Doorkeeper—Bert W. Kennedy, Michigan.

Postmaster-Frank W. Collier, Wisconsin.

Chaplain-Rev. James Shera Montgomery, District of Columbia.

The Democratic members of the House made the following nominations:

Speaker of the House-Finis Garrett, member, Tennessee. Clerk of the House-South Trimble, Kentucky.

Sergeant-at-Arms—C. R. Evans, Navada. Doorkeeper—Joseph J. Sinnott, Virginia. Postmaster—F. E. Scott, Tennessee.

Chaplain-No nomination for Chaplain was made by the Democrats, it being agreed that the Rev. James Shera Montgomery should be re-elected.

The Republican nominees were all elected.

# How a New Congress Is Organized

A LTHOUGH not provided for by law, the political organization of the House and Senate is one of the most important features of the transaction of the business of Congress. Under the party system of government prevailing in the United States, the majority party in each House of Congress assumes full responsibility for the election of officers and the transaction of business. Experience of the years has developed a very definite method of procedure for these purposes, which has become as fixed as the rules laid down by law for governing the regular operations of Congress.

Under this system both parties, when a new Congress is to be organized, hold meetings in advance; select their candidates for officers and prepare for the regular election, which

is provided for by law.

THE Congress of the United States is composed of two branches—the Senate, with 96 members, and the House of Representatives, with 435 members. There are also seated in the House two Delegates-one from the Territory of Alaska and one from the Territory of Hawaii; and three Resident Commissioners—two from the Philippines, and one from Porto Rico. These Delegates and Resident Commissioners have the right of debating, but not of voting.

WHEN a new Congress convenes for its first session it does so with an absolutely fresh start, save for minor exceptions.

Every bill, resolution, petition, memorial or other matter that was pending in the preceding Congress goes out of existence so far as the new Congress is concerned. No matter what its position on the calendar of the preceding Congress, a measure has to be introduced all over again when a new Congress convenes.

Every officer of both branches of the Congress has to be elected at the opening of a new Congress. The President pro tempore of the Senate furnishes one of the two exceptions to the provision that everything begins anew. The President pro tempore is a member of the Senate chosen by the Senate to act as presiding officer during the absence of the Vice-President and to attend to other duties of the Vice-President when the latter is absent. Under a special resolution adopted by the Senate in 1890, the President pro tempore serves at the will of the Senate and a Senator, once elected to that office, serves until the Senate chooses to elect another Senator.

Another exception to the provision that in a new Congress everything must start afresh relates to pending treaties with foreign governments. The Senate alone is charged with the consideration of treaties, which, promulgated by the President, through the Secretary of State, must be ratified by the Senate before becoming binding upon the United States. Treaties do not lose their status with the expiration of one Congress and the assembling of the new one.

THE Constitution did not fix an hour of the meeting of Congress, nor was the hour specified for the meeting of any session convened by law until the Act of January 22, 1867, repealed April 20, 1871, authorized a meeting of the Fortieth Congress, and of each succeeding Congress thereafter, "at 12 o'clock meridian, on the 4th day of March." Custom alone, which had come to have the force of common law, had sanctioned the practice that the Clerk of the House should call the House to order at 12 o'clock and at no other hour on the first day of a session. Section 4, Article 1, of the Constitution provides for the Regular Session as follows: "The Congress shall assemble at least once in every year, and such meeting shall be on the first Monday in December, unless they shall by law appoint a different day." The calling of an extra session is provided for in Section 3 of Article II in these words, "the President of the United States may, on extraordinary occasions, convene both Houses, or either

WHEN a new Congress convenes, the Senate is called to order by the Vice-President or, in his absence, by the President pro tempore. When a new Vice-President takes office, the Secretary of the Senate calls the Senate to order and then turns the gavel over to the new Vice-President as soon as he has taken the oath.

The Secretary reads the names of the newly elected Senators, and as their names are called they are conducted by a colleague to the desk for the purpose of taking the oath of office.

The oath is prescribed by Section 1757, Revised Statutes, in the following form:

"I, ———, do solemnly swear (or affirm) that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I take this obligation freely, without any mental reservation or purpose of evasion, and that I will well and faithfully discharge the duties of the office on which I am about to enter. So help me God."

T HE Senate's officers—Secretary, Sergeant-at-Arms, Door-keeper and Chaplain—are elected by its political majority, and their subordinate employees are appointed as Senatorial patronage, dispensed through a majority party committee; but minority Senators are accorded some recognition, and certain employees are carried on an efficiency roll.

The Republicans in the Senate settle their party policies in conference—never in binding caucus. The Democrats sometimes resort to the caucus plan. Conferences select the majority and minority floor leaders, respectively.

These functionaries are parliamentary and political spokesmen and are usually accorded prior recognition by the Chair. The majority leader is a member of the Steering Committee (whose function it is to formulate a legislative program more or less in conjunction with a like Committee of the House), and he, together with the floor leader of the House, confers with the President—assuming their political faith to be the same.

The Senate whips—majority and minority—are also selected in party conference. They represent their respective

parties in appraising party strength on a given question, finding the weak spots, rounding up absentees, and in arranging and announcing pairs.

The Republican Conference of the Senate, which is composed of all the Republican membership of that body is called together and presided over by a permanent chairman, who is the oldest Republican member of the Senate in point of service. At present, Senator Francis E. Warren of Wyoming holds that office.

The permanent chairman appoints a committee of nine, known as the Committee on Committees, the duty of which is to arrange the membership and chairmanships of the various committees.

These committees, with the chairmen, are submitted to the entire body of the Senate and must be elected by the Senate. The seniority rule obtains in the choice of chairmen and it is the almost invariable rule that when a new committee chairman is to be selected that Senator who has served longest on the committee is made chairman. A Senator, however, cannot be chairman of two committees, although he may be a member of several.

Under the rules of the Senate the ratio between majority and minority members of the Committees is the same as the ratio of the two parties in the membership of the Senate.

There are 33 standing committees of the Senate, whose membership varies in size, according to their importance, from three to 16.

THE Constitution provides that the House of Representatives shall choose its speaker and other officers. The House has always chosen a speaker from its own membership. The House, unlike the Senate, must reorganize every two years. The Senate being a continuous body, is not subject to reorganization biennially unless its political complexion should change when one-third of its membership undergoes election. But the Senate may, nevertheless reorganize if it so desires.

Prior to the first meeting of a new House the political majority, in conference, designates its nominee for Speaker, and its nominees for other officers—Clerk, Sergeant-at-Arms, Doorkeeper, Postmaster, and Chaplain; selects a Committee on Committees composed of one member from each State having party representation in the House and elects a Chairman and Secretary of the party conference.

When a new Congress assembles the Members-elect are called to order by the Clerk of the preceding House. After prayer by the Chaplain of the last House, the Rev. James Shera Montgomery, the Clerk, reads the names of those whose credentials show that they were regularly elected. As the roll is called in alphabetical order of States, Members-elect answer to their names in order to ascertain if a quorum is present. The Clerk then presents a tabulated statement of the changes in the membership that have occurred since the regular election. Then, if a quorum be present, the next business in order is the election of a Speaker.

Having selected in advance their candidates for the principal offices, the two parties place their candidates in nomination in the House on the day it convenes. The Speaker is first voted upon and, as soon as he is elected, he is escorted to the chair by a committee of Members-elect, assumes the duties of presiding officer and addresses the House. The oath administered to the Speaker is the same as that taken by the other Members of the House and is usually administered by the Member of longest continuous service.

The Speaker administers the oath to the Members-elect and Delegates, who are usually called to the area in front Continued on page 33

# The President's Recommendations 1 to the 70th Congress Is.

Extracts from the Annual Message to Congress, December 6, 1927



HE country as a whole has had a prosperity never exceeded. If the people maintain that confidence which they are entitled to have in themselves, in each other, and in America, a comfortable prosperity will continue.

Constructive Economy

OUR war debt still remains. The sacrifices of the people, the economy of the Government, are showing remarkable results. They should be continued for the purpose of relieving the Nation of the burden of interest and debt and releasing revenue for internal improvements and national development.

Tax Reduction

THE immediate fruit of economy and retirement of the public debt is tax reduction. The Secretary of the Treasury has recommended a measure which would give us a much better balanced system of taxation and without oppression produce sufficient revenue. It has my complete support.

Any surplus can be applied to debt reduction, and debt reduction is tax reduction. Under the present circumstances it would be far better to leave the rates as they are than to enact a bill carrying the peril of a deficit.

National Defense

BEING a nation relying not on force, but on fair dealing and good will, to maintain peace with others, we have provided a moderate military force in a form adapted solely to defense. It should be continued.

While our Army is small, prudence requires that it should be kept in a high state of efficiency and provided with such supplies as would permit of its immediate expansion.

Our Navy is likewise a weapon of defense. It needs aircraft development, which is being provided under the five-year program. It needs submarines as soon as the department decides upon the best type of construction. It needs airplane carriers and a material addition to its force of cruisers. We can plan for the future and begin a moderate building program.

Limitation of Armament

THIS country has put away the Old World policy of competitive armaments. It can never be relieved of the responsibility of adequate national defense.

After most careful preparation, extending over months, we recently made every effort to secure a three-power treaty for the [limitation of naval armament]. We were granted much cooperation by Japan, but we were unable to come to an agreement with Great Britain. We know now that no agreement can be reached which will be inconsistent with a considerable building program on our part. We are ready and willing to continue the preparatory investigations on the general subject of limitation of armaments which have been started under the auspices of the League of Nations.

Where there is no treaty limitation, the size of the Navy which America is to have will be solely for America to determine. But it should be known to all that our military power holds no threat of aggrandizement. It is a guaranty of peace and security at home and always the servant of world peace.

Merchant Marine

MORE attention should be given to merchant ships as an auxiliary of the Navy. The possibility of including their masters and crews in the Naval Reserve, with some reasonable compensation, should be thoroughly explored as a method of encouraging private operation of shipping. Public operation is not a success. It should be our policy to keep our present vessels in repair and dispose of them as rapidly as possible, rather than undertake any new construction.

Commercial Aviation

A RAPID growth is taking place in aeronautics. The policy already adopted by the Congress is producing the sound development of this coming industry.

Western Hemisphere Air Mail

PRIVATE enterprise is showing much interest in opening up aviation service to Mexico and Central and South America. The Post Office Department should be granted power to make liberal long-term contracts for carrying our mail, and authority should be given to the Army and the Navy to detail aviators and planes to cooperate with private enterprise in establishing such mail service with the consent of the countries concerned. A committee of the Cabinet will later present a report on this subject.

Good Roads

NATIONAL participation [in the construction of good roads] should be confined to trunk-line systems. The national tax on automobiles is now nearly sufficient to meet this outlay.

We ought to lend our encouragement in any way we can for more good roads to all the principal points in this hemisphere. Authority should be given by law to provide [these countries] at their request with engineering advisers for the construction of roads and bridges. Private interests should look with favor on all reasonable loans sought by these countries to open such main lines of travel.

Congress should provide for the appointment of delegates to represent the United States at the Pan-American Congress of Highways, which will convene again at Rio de

Janeiro in July, 1928.

Cuban Parcel Post

WE have a temporary parcel-post convention with Cuba [which] was made on the understanding that we would repeal an old law prohibiting the importation of cigars and cigarettes in quantities less than 3,000 enacted in 1866 to discourage smuggling, for which it has long been unnecessary. Unless this is done our merchants and railroads will find themselves deprived of this large parcel-post business after the first of next March.

Insular Possessions

CONDITIONS in the Philippine Islands have been steadily improved, due to the administration of Gov. Gen.

Leonard Wood. His death is a loss to the Nation and the islands.

More efficiency could be put into administration, if the Congress would undertake to expend, through its appropriating power, all or a part of the customs revenues which are now turned over to the Philippine treasury. The powers of the auditor of the islands also need revision and clarification. An extension of the policy of self-government will be hastened by the demonstration on [the part of the Filipinos] of their desire and their ability to carry out cordially and efficiently the provisions of the organic law enacted by the Congress for the government of the islands. It would be well for a committee of the Congress to visit the islands every two years.

A fair degree of progress is being made in Porto Rico. A memorial will be presented to you requesting authority to have the governor elected by the people of Porto Rico. Until it has progressed further the efficiency of the government and the happiness of the people may need the guiding hand of an appointed governor. As it is not contemplated that any change should be made immediately, the general subject may well have the thoughtful study of the Congress.

#### Panama Canal

I N order to provide additional storage of water and give some control over the floods of the Chagres River, it is proposed to erect a dam to cost about \$12,000,000 at Alhajuela. It will take some five years to complete this work.

#### Agriculture

A NY sound and workable proposal to help the farmer will have the earnest support of the Government. It should be the aim to assist the farmer to work out his own salvation socially and economically. The main problem which is presented for solution is one of dealing with a surplus of production. It is useless to propose a temporary expedient. What is needed is permanency and stability. Price fixing and subsidy will both increase the surplus, instead of diminishing it. Putting the Government directly into business is merely a combination of subsidy and price fixing aggravated by political pressure.

The most effective means of dealing with surplus crops is to reduce the surplus acreage. If acreage becomes overextended, the Government can not assume responsibility for it. The Government can, however, assist cooperative associations and other organizations in orderly marketing and handling a surplus clearly due to weather and seasonal conditions, in order to save the producer from preventable loss.

A beginning could be made by setting up a Federal board or commission of able and experienced men in marketing, granting equal advantages under this board to the various agricultural commodities and sections of the country, giving encouragement to the cooperative movement in agriculture, and providing a revolving loan fund at a moderate rate of interest for the necessary financing. Such legislation would lay the foundation for a permanent solution of the surplus problem.

The Protective Tariff

IT is often stated that a reduction of tariff rates on industry would benefit agriculture. It would be interesting to know to what commodities it is thought this could be applied. Everything the farmer uses in farming is already on the free list. Nearly everything he sells is protected. The largest and best and most profitable market for the farmer in the world is our own domestic market. Any great increase in manufactured imports means the closing of our own plants. Nothing could be worse for agriculture.

#### Farm Loan System

IT is exceedingly important that the Federal land and jointstock land banks should furnish the best possible service for agriculture. It is necessary to preserve the public confidence in this system in order to find a market for their bonds. A recent flotation was made at a record low rate of 4 per cent. Careful supervision is absolutely necessary to protect the investor and enable these banks to exercise their chief function in serving agriculture.

#### Muscle Shoals

EXTENSIVE investigation made by the Department of Agriculture indicates that the nitrate plants on this project are of little value for national defense and can probably be disposed of within two years. The oxidation part of the plants, however, should be retained indefinitely. Preference should be given to proposals to use all or part of it for nitrate production and fertilizer manufacturing.

#### Flood Control

PROVISION has been made to care for those in need in the flooded areas until after the first of January.

The Engineer Corps of the Army has contracted to close all breaks in the dike system before the next season of high water. A most thorough and elaborate survey of the whole situation has been made and embodied in a report with recommendations for future flood control, which will be presented to the Congress.

Legislation by this Congress should be confined to our principal and most pressing problem, the lower Mississippi, considering tributaries only so far as they materially affect the main flood problem. The last Congress authorized a comprehensive survey of all the important streams of the country in order to provide for their improvement, including flood control, navigation, power, and irrigation. Other legislation should wait pending a report on this survey. The recognized needs of the Mississippi should not be made a vehicle for carrying other projects. All proposals for development should stand on their own merits.

Very recently several of the New England States have suffered somewhat similarly. It may be necessary to grant special aid for this purpose. Complete reports of what is required will undoubtedly be available early in the session.

#### Inland Navigation

STABILIZATION of the levels of the Great Lakes and their opening to the sea by an effective shipway remain to be considered. The Board of Engineers of the War Department and the Joint Board of Engineers representing Canada and the United States conclude that the St. Lawrence project is cheaper [than the New York route], affords a more expeditious method of placing western products in European markets, and will cost less to operate. The State Department has requested the Canadian Government to negotiate treaties necessary to provide for this improvement.

Legislation is desirable for the construction of a dam at Boulder Canyon on the Colorado River, primarily as a method of flood control and irrigation. A secondary result would be a considerable power development and a source of domestic water supply for southern California. Every possibility should be exhausted before the Federal Government becomes engaged in the power business. The States which are interested ought to reach mutual agreement.

The Columbia River Basin project is being studied and will be one to be considered at some future time.

The problems of transportation over inland waterways should be taken up by private enterprise, so that the public will have the advantage of competition in service.

#### Prohibition

A FTER more than two generations of constant debate, our country adopted a system of national prohibition under all the solemnities involved in an amendment to the Federal Constitution. This imposes upon the citizenship of the country, and especially on all public officers, not only the duty to enforce, but the obligation to observe the sanctions of this constitutional provision and its resulting laws. If this condition could be secured, all question concerning prohibition would cease. The Federal Government is making every effort to accomplish these results.

The Negro

HISTORY does not anywhere record so much progress made in the same length of time as that which has been accomplished by the Negro race in the United States since the Emancipation Proclamation. They have shown that they have been worthy of all the encouragement which they have received. The Congress should enact any legislation it can under the Constitution to provide for the elimination [of lynching].

American Indian

THE condition of the American Indian has much improved in recent years. Full citizenship was bestowed upon them on June 2, 1924. The needs along health, educational, industrial, and social lines, however, are great, and the Budget estimates for 1929 include still further increases for Indian administration.

To advance the time when the Indians may become selfsustaining, it is my belief that the Federal Government should continue to improve the facilities for their care, and as rapidly as possible turn its responsibility over to the States.

Coal

LEGISLATION authorizing a system of fuel administration and the appointment by the President of a Board of Mediation and Conciliation in case of actual or threatened interruption of production is needed.

Petroleum Conservation

THE National Government is undertaking to join in the formation of a cooperative committee of lawyers, engineers, and public officers, to consider what legislation by the States or Congress can be adopted for the conservation of our supply of petroleum. It is expected the report of this committee will be available for later congressional action. Meantime, the requirement that the Secretary of the Interior should make certain leases of land belonging to the Osage Indians, in accordance with the act of March 3, 1921, should be repealed. The authority to lease should be discretionary, in order that the property of the Indians may not be wasted and the public suffer a future lack of supply.

Alien Property

UNDER treaty the property held by the Alien Property Custodian was to be retained until suitable provision had been made for the satisfaction of American claims. Congress has made liberal provision for the return of a large part of the property. There is still retained, however, about \$250,000,000. The Mixed Claims Commission has made such progress in the adjudication of claims that legislation can now be enacted providing for the return of the property, which should be done under conditions which will protect our Government and our claimants. Such a measure will be proposed, and I recommend its enactment.

Railroad Consolidation

IN order to increase the efficiency of transportation and decrease its cost to the shipper, railroad consolidation

must be secured. Legislation is needed to simplify the necessary procedure to secure such agreements and arrangements for consolidation, always under the control and with the approval of the Interstate Commerce Commission. Delay is holding back the progress of our country.

Veterans

THE care which this country has lavished on its veterans is known of all men. We should continue to foster our system of compensation and rehabilitation, and provide hospitals and insurance. The magnitude of the undertaking is already so large that all requests calling for further expenditure should have the most searching scruting.

ture should have the most searching scrutiny.

It has been suggested that the various governmental agencies now dealing with veterans' relief be consolidated. This would bring many advantages. It is recommended that the proper committees of the Congress make a thorough survey of this subject, in order to determine if legislation to secure such consolidation is desirable.

Education

WHILE this subject is strictly a State and local function, it should continue to have the encouragement of the National Government. I am still of the opinion that much good could be accomplished through the establishment of a Department of Education and Relief, into which would be gathered all of these functions under one directing member of the Cabinet.

Immigration

SOME further legislation to provide for reuniting families when either the husband or the wife is in this country, and granting more freedom for the migration of the North American Indian tribes, is desirable.

Public Buildings

CONSTRUCTION is under way in the country and ground has been broken for carrying out a public-building program for Washington. We have reached a time when not only the conveniences but the architectural beauty of the public buildings of the Capital City should be given much attention. It will be necessary to purchase further land and provide the required continuing appropriations.

**Historical Celebrations** 

PROVISION is being made to commemorate the two hundredth anniversary of the birth of George Washington. Suggestion has been made for the construction of a memorial road leading from the Capital to Mount Vernon, which may well have the consideration of the Congress.

The State of Indiana is proposing to dedicate the site of Fort Sackville as a national shrine. The Federal Government may well make some provision for the erection under its own management of a fitting memorial at that point.

Foreign Relations

WE are a peaceful people and committed to the settling of disputes by amicable adjustment rather than by force.

We have lately had some difference with Mexico. A firm adherence to our rights and a scrupulous respect for the sovereignty of Mexico, both in accordance with the law of nations, coupled with patience and forbearance, it is hoped will resolve all our differences without interfering with the friendly relationship between the two Governments.

We have been compelled to send naval and marine forces to China. We are protecting our citizens and stand ready to cooperate with any government which may emerge in promoting the welfare of the people of China.

We were confronted by similar condition on a small scale in Nicaragua. Henry L. Stimson, former Secretary of War, was sent there to cooperate with our diplomatic and military officers in effecting a settlement between the contending parties. This was done on the assurance that we would cooperate in restoring a state of peace where our rights would be protected by giving our assistance in the conduct of the next Presidential election.

In general, our relations with other countries can be said to have improved within the year. It is recognized that we are independent, detached, and can and do take a disinterested position in relation to international affairs. Proposals for promoting the peace of the world will have careful consideration. We know that peace comes from honesty and fair dealing, from moderation, and a generous regard for the rights of others. We should continue to promote peace by our example, and fortify it by such international covenants against war as we are permitted under our Constitution to make.

American Progress

OUR country has made much progress. In doing good, in walking humbly, in sustaining its own people, in ministering to other nations, America will work out its own mighty destiny .- Extracts.

# Budget of the United States, 1929 As Transmitted to Congress by the President, December 7, 1927

Summary of Receipts and Expenditures

(Exclusive of postal revenues and postal expenditures paid from postal revenues)

Receipts: Customs Income tax Miscellaneous internal revenue. Miscellaneous receipts	Estimated, 1929 \$602,000,000.00 2,065,000,000.00 640,545,000.00 501,952,314.00	Estimated, 1928 \$602,000,000.00 2,165,000,000.00 638,545,000.00 670,053,091.00	Actual, 1927 \$605,499,983.44 2,224,992,800.25 644,421,541.56 654,480,115.85
Total receipts  Expenditures:	\$3,809,497,314.00	\$4,075,598,091.00	\$4,129,394,441.10
(Including reduction of the public debt required by law to be made from ordinary receipts).  Total expenditures	3,556,957,031.00	3,621,314,285.00	3,493,584,519.40
Excess of receipts	\$252,540,283.00	\$454,283,806.00	\$635,809,921.70

### Analysis of Expenditures and Estimates

	Estimates of app'ns., 1929	Total for 1928‡		Estimates of app'ns., 1929	Total for 1928‡
Legislative establishment	\$16,862,930	\$17,701,188	Department of Agriculture Department of Commerce	\$142,753,229 37,599,460	\$143,344,549 37,468,450
Executive office	\$437,180	\$528,460	Department of the Interior	300,190,089	299,009,921
Independent establishments:	443/1.00	4320,400	Department of Justice	26,784,630	26,904,185
Alaska relief funds	15,000	15,000	Department of Labor	10,735,840	10,160,516
Alien Property Custodian	7,500	98,000	Navy Department	362,167,020	341,935,319
American Battle Monuments Com	700,000	600,000	Post Office Department, postal defi-	302,207,020	34-173313-7
Arlington Memorial Bridge Com	2,300,000	2,500,000	ciency, payable from Treasury	15,270,042	*32,402,164
Board of Mediation	347,902	190,000	State Department	14,015,188	13,126,119
Board of Tax Appeals	720,740	721,780	Treasury Department		1327,910,855
Bureau of Efficiency			War Department, inclu. Panama Canal	316,333,562	402,676,943
Civil Service Commission	210,350	210,350	District of Columbia		
Commission of Fine Arts		1,198,942	District of Columbia	40,431,186	39,220,180
Employes' Compensation Com	7,300	7,300	Total		
Federal Board of Vocational Educ.	3,675,000	3,648,240	Total, ordinary	2,294,170.372	\$2,310,499,290
Federal Power Commission		8,165,230	Bedeville to add to 1 for 111 files		
Federal Radio Commission	120,890	42,500	Reduction in principal of public debt:		
Federal Reserve Board		52,186	Sinking fund	\$369,209,093	\$354,157,085
		2,700,000	Redemption of securities from Fed.		
Federal Trade Commission		984,350	res. bank and Fed. intermediate		
General Accounting Office		3,843,400	credit bank franchise tax receipts.	1,000,000	800,000
Housing Corporation	475,750	564,236	Redemption of bonds, etc., acct. of		
International Trade Exhibition		150,000	repayments of principal and as int.		
Interstate Commerce Commission		7,981,314	payments on obligations of foreign		111 11 11 11
National Advisory Com. for Aero		550,000	governments	171,214,300	181,963,650
Public Buildings and Public Parks		2,454,470	Redemption of bonds, etc., account of		
Smithsonian Institution		1,019,711	forfeitures, gifts, etc	200,000	200,000
Tariff Commission		721,000			
United States Geographic Board		3,945	Principal of the public debt	\$541,623,393	\$537,120,735
United States Shipping Board and			Interest on the public debt	670,000,000	720,000,000
Merchant Fleet Corporation		12,290,000			
United States Veterans' Bureau		565,265,000	Total payable from Treasury	\$1,505,793,765	\$3,573,620,031
Claims, judgments, etc		7,933,489	Postal Service payable from postal		
Total. Executive Office and inde-			revenues		724,966,200
pendent establishments	\$612,204,052		Total, including Post Office De- partment and Postal Service	\$4,258,793,765	\$4,298,586,231

Heretofore included in estimates of appropriation for "Postal Service payable from postal revenue."
 † Includes \$107,000.000 1927-28 supplemental appropriation for internal revenue refunds.
 ‡ Includes original appropriations plus supplemental estimates submitted for 1928.

# Paragraph News of National Issues

### Compendium of Important Subjects Before the New Congress

AGRICULTURE.—The veto by President Coolidge of the McNary-Haugen Bill which passed both houses of Congress toward the close of the 69th Congress is causing the leaders of both parties to endeavor to work out during the current session a farm aid bill that will prove satisfactory to all concerned. Co-operative marketing is a feature of the problem that has strong support. Various bills on all phases of the farm problem are before the House and Senate Committees, but there is still no crystallized support back of any particular measure. (See CONGRESSIONAL DIGEST, May, 1924.)

ALIEN PROPERTY.-The bill appropriating money for the ALIEN FROPERTY.—The bill appropriating money for the settlement of claims for alien property selzed by the Government during the world war passed the House in the last Congress, but did not come to a vote in the Senate. It was immediately reintroduced in the House when the new Congress convened and, after being reported by the Ways and Means Committee, was passed with amendments on December 20, 1927. It is now awaiting action by the Senate. (See Congressional Digest, December, 1926.)

APPROPRIATIONS.—Two important appropriation bills failed of passage in the second session of the 69th Congress owing to the legislative jam which marked the closing days of that session, the second deficiency bill, appropriating \$115,-336,010.20 for various departmental items, and the Omnibus 336,010.20 for various departmental items, and the Ominious Public Buildings Bill, appropriating \$20,000,000 for public buildings in various parts of the country. These two bills were reintroduced in the House at the beginning of the present session, taking precedence of the ten regular annual supply bills appropriating money for the maintenance and operation of the Government, which will come along in their regular

The second deficiency bill, now known as the first deficiency bill, was passed in the House, passed with amendments in the Senate, and is now in conference.

AVIATION.—The Army and Navy are continuing on regular aviation building and experimental programs laid down two years ago, the costs of which are cared for in the regular annual Army and Navy appropriation bills. Various bills are pending before committees of both Houses for the regulation and advancement of commercial aviation. (See Conglessional Digest, September, 1925.)

BOULDER DAM.—Extensive debate was held in both houses on the Boulder Dam Bill last Congress, but no action was taken on it. The bill has been reintroduced in the House and Senate in the present Congress and has been referred to the Committees on Irrigation and Reclamation. Governors of the interested States will come to Washington for the hearings. (See Congarssional Digest, February, 1927.)

CIVIL SERVICE.—Retirement legislation was passed during the last Congress, but was not sufficiently liberal to satisfy its proponents. A new bill has been introduced in this Con-gress by Representative Green of Vermont, providing liberaliza-tion of the present retirement law. It will be given consideration by the Committee on Civil Service after the holidays. (See Congressional Digest, April, 1923.)

COAL.—To prevent recurrences of coal shortages a bill was introduced at the last Congress providing for investigation, arbitration and emergency measures. It was reported out of the committee, but no action was taken on it. During this session Senator Copeland of New York has introduced a similar bill which has been referred to the Committee on Education and Labor. (See Congressional Digest, November, 1925.)

COPYRIGHT.—In the hope of ending the copyright controversy which has held the attention of Senate and House committees for several years, Mr. Vestal, Ind., R., has prepared a new bill which will be introduced early in this session. Committee hearings will be held after the Christmas recess. (See CONGRESSIONAL DIGEST, October, 1927.)

DISTRICT OF COLUMBIA.—Since 1925 Congress has made lump sum appropriations for its share of the expenses of the government of the District of Columbia. The Act of 1878 provided that Congress should pay half and the District half. This was changed in 1920 to require 60 per cent of the budget to be met from District taxes and 40 per cent to be paid by Congress. The officials of the District have recommended a return to the 60-40 arrangement and their recommendations

will be the principal subject of discussion at this session, so far as District affairs are concerned. (See Congressional Digest, December, 1927.)

EDUCATION.—For a number of years bills have been introduced to provide for a Department of Education with a Secretary in the President's cabinet. Committee hearings were held at the last session, but no action was taken. The bill has been reintroduced in the House by Representative Daniel Reed of New York and in the Senate by Senator Curtis of Kansas.

FEDERAL TAXATION.—The House has passed the new tax bill introduced by Mr. Green of Iowa, Chairman of the Committee on Ways and Means, and it is now before the Senate for action. (For a survey of principles of taxation and tax legislation of recent years see the Congressional Digest, September, 1923, December, 1924, and December, 1925.)

FLOOD CONTROL.—The tremendous magnitude of the flood control problem, involving, as it does, honest differences of opinion among engineers as to methods of meeting it, its bearopinion among engineers as to methods of meeting it, its bearing upon navigation and water power and the sentiment of various localities, causes the leaders of both parties in Congress to be unwilling to make predictions as to when and how the question will be disposed of. They agree, however, that every effort will be made to arrive at a solution as promptly as possible. It may be that the questions of flood relief and flood control will be separated; that Congress will appropriate money for the relief of those sections of the country which suffered from the overflow of rivers, notably the Mississippi, and will then work out a policy for the prevention of future floods.

IMMIGRATION.—More than sixty immigration bills were introduced in the 60th Congress. The most prominent of these, the bill introduced by Rep. Albert Johnson (R.), of Washington, strengthening the deportation laws, passed the House but did not come to a vote in the Senate. It has been reintroduced in this Congress and is expected to have action by both Houses at this session. It has the backing of the Department of Labor. Various other bills for tightening or loosening the immigration restriction laws are before the committees. (See Congressional Digest, July-August, 1923.)

MUSCLE SHOALS.—The report of the special joint committee of the Senate and House appointed to study and make reommendations on the disposition of the Muscle Shoals, Ala., water power project was filed at the end of the 69th Congress by the Chairman, Senator Charles S. Deneen (R.), of Illinois. by the Chairman, Senator Charles S. Deneen (R.), of Illinois. The committee recommended that none of the offers to purchase or lease the property be accepted. Since the special committee expired with the 69th Congress all new House bills regarding the disposition of Muscle Shoals have been referred to the Committee on Military Affairs of that body and all Senate bills to the Senate committee on Agriculture. The two committees expect to make reports in time for Congress to take definite action before the end of the session. (See Congressionary, Diggs., October, 1922.) GRESSIONAL DIGEST, October, 1922.)

PHILIPPINE INDEPENDENCE.—Several bills have been introduced in previous years demanding independence for the Philippines, but no action has been taken on the floor of either House of Congress. Bills have been submitted to this Congress, but, as usual, none of them has administration backing. (See CONGRESSIONAL DIGEST, April, 1924.)

POSTAL RATES.—A conference report was made at the last session on the bill revising certain schedules of the postal rates, including a provision to restore the rate of one cent to private mailing cards, but it was stranded in the Senate fillbuster last March. The bill will be reintroduced at this session, probably by Mr. Griest of Pennsylvania, Chairman of the Committee on Post Offices and Post Roads. (See Conoressional Digest, February 1998).

PROHIBITION.—Aside from the regular appropriations for the enforcement of the prohibition law, many bills covering this question are before both Houses. They vary all the way from drastic restriction measures to resolutions to repeal the Eighteenth Amendment to the Constitution. In both Houses the supporters of prohibition retain an overwhelming majority in the 70th Congress, which makes it fairly certain that only legislation acceptable to the "drys" or desired by them will be

Continued on page 34

# Action Taken by Congress

## A Daily Summary of the Proceedings of the House and Senate

December 5, 1927, to December 21, 1927

#### Monday, December 5, 1927

Charles G. Dawes, of Illinois, Vice-President of the United States, called the Senate to order at 12 o'clock, noon, beginning the first or "long" session of the Seventieth Congress.

The opening prayer was delivered by the Rev. Dr. ZeBarney Thorne Phillips of Washington, D. C. The former chaplain was the late Rev. J. J. Muir.

Sixty-one of the 96 Senators were present.

The oath of office was administered to the new Senators with exception of Frank L. Smith, Ill., R., and William S. Vare, Pa., R. Without objection the resolutions (S. Res. 1 and 2) concerning the charges against them, offered by Mr. Norris, Nebr., R., were ordered to lie over and Senators elect Smith and Vare and were ordered to be over and senators elect Smith and vare stood aside until the oath was administered to those against whom there were no objections. It was unanimously agreed that further consideration of the credentials of the Senators elect, Mr. Smith and Mr. Vare, should be postponed without change or prejudice of their rights until after the reading of the President's message Tuesday, Dec. 6.

Agreed to the following resolutions submitted by the Republican floor leader, Mr. Curtis, Kans., R.: S. Res. 3—That a Committee of two Senators be appointed to join a Committee of the House of Representatives to inform the President that the Congress was ready to receive his message; S. Res. 4—That the Secretary inform the House of Representatives that the Senate was ready to proceed to business; S. Res. 5—That the Hour of daily meeting be 12 o'clock meridian unless otherwise ordered; S. Res. 4—That Par J. Res. 6—That Par J. They Par Thorne Phillips D. ordered; S. Res. 6—That Rev. ZeBarney Thorne Phillips, D.D., of the District of Columbia, be elected Chaplain of the Senate. Adjourned.

#### House:

The House was called to order at 12 o'clock noon by the Clerk of the last House, William Tyler Page, beginning the first or "long" session of the Seventieth Congress.

The opening prayer was delivered by Rev. James Shera Montgomery, Chaplain of the House in the previous Congress. Four hundred and seventeen of the 435 members were present.

The clerk stated that credentials had been filed showing the election of Victor S. K. Houston as Delegate from the Territory of Hawaii, of Dan A. Sutherland as Delegate from the Territory of Alaska, and of the two Resident Commissioners from the Philippine Islands, Isamo Gabaldon and Pedro Guevara.

It was announced that Nicholas Longworth, O., R., was nominated unanimously by the Republican caucus and Finis I. Garrett, Tenn., D., by the Democratic caucus for the office of Speaker of the House. Mr. Longworth was elected by a vote of 224 to 187. Mr. Garrett presented the Speaker-elect to the House and Mr. Longworth addressed his colleagues. Mr. Butler, Pa., R., the Member longest in continuous service in the House administered the oath of office to the Speaker-elect.

The oath of office was administered to the new members and delegates. Mr. Garrett offered a resolution to prohibit the swearing in of James M. Beck, Pa., R., questioning his residence in Pennsylvania at the time of his election. It was rejected.

The Senate message announcing the passage of S. Res. 3, 4, and 5 was read.

Mr. Hawley, Ore., R., Chairman of the Republican caucus, announced the election of John Q. Tilson, Conn., R., as majority leader and offered the following resolution for the election of officers of the House: William Tyler Page, Md.—Clerk; Joseph C. Rogers, Pa.—Sergeant at arms; Bert W. Kennedy, Mich.—Doorkeeper; Frank W. Collier, Wis.—Postmaster, and Rev. James Shera Montgomery, D. C.—Chaplain.

Mr. Greenwood, Md., D., announced the election of Finis S. Garrett, Tenn., D., as minority leader and offered a substitute for the resolution of Mr. Hawley causing the name of the Rev. Montgomery to be voted on separately. There was no objection to the resolution offering the following for officers: South Trimble, Ky.—Clerk; C. R. Evans, Nev.—Sergeant at

Arms; Joseph S. Sinnott, Va.—Doorkeeper, and F. E. Scott, Tenn.—Postmaster.

The officers mentioned in Mr. Hawley's resolution were

Agreed to resolutions of notification to the Senate and the President of the presence of a quorum and the election of the Speaker and the Clerk.

Agreed to the following resolution offering candidates for election as minority employees by Mr. Greenwood: Joseph S. Sinnott, special employee; John O. Snyder, pair clerk; L. M. Overstreet, special messenger and assistant pair clerk and Truman Ward, Ralph E. Roberts, and Hunter Osborne, special messengers.

Agreed to resolutions (H. Res. 7 and 8) providing for the adoption of the rules of the House of the previous (the 69th) Congress with certain amendments and making 12 o'clock noon the daily hour of meeting, offered by Mr. Snell, N. Y., R.

Agreed to resolution (H. Res. 9) referring the right of James M. Beck, Pa., R., to a seat in the House to the Committee on Elections No. 2 offered by Mr. Garrett,

Agreed to resolutions of sympathy and authorizing the com-munication of such resolutions to their families on the deaths of the Hon. Walter W. Magee, the Hon. Ladislas Lazaro, the Hon. M. E. Crumpacker, and the Hon. William N. Vaile.

The death of the Hon. Gordon Lee of Georgia was announced, The House adjourned as a mark of respect to the deceased Representatives at 3 o'clock and 2 maintes p. m.

A total of 135 executive communications, 5,463 bills and resolutions and 57 petitions and papers was referred to com-Adjourned.

#### Tuesday, December 6, 1927

The President's annual message to the Congress was read by the Chief Clerk, John Crockett.

Discussed resolution (S. Res. 1) concerning the charges against Senator-elect Smith, Ill., R.

A total of 264 bills was referred to committee. Adjourned.

House:
The President's annual message to the Congress was read by the Clerk of the House, William Tyler Page.

Agreed to resolutions for the election of members of the ommittee on Ways and Means, Members of the Standing Committee of the House on Ways and Means, and members of the Committee on Appropriations

Concurred in resolution (H. Res. 3) accepting the statue of Alexander H. Stephens, presented by the State of Georgia, and placing it in Statuary Hall in the Capitol.

Agreed to resolution (H. Res. 41) on the death of Joel Grayson, special employee in the House document room for 52 years.

Explanation of numbering of the new tax bill was made by Mr. Green, Ia., R.

By unanimous consent the business of Calendar Wednesday was dispensed with.

A total of 334 bills and resolutions was referred to committee. Adjourned.

#### Wednesday, December 7, 1927

#### Concurred in H. Con. Res. 3 concerning the statue of Alexander H. Stephens

A total of 165 bills were referred to committee.

Passed resolution (S. Res. 1) as amended, denying Mr. Smith, Ill., R., a seat until the Senate takes final action: Provided, that Mr. Smith be accorded privileges of the floor to be heard on his right to membership.

The President's message transmitting the Budget for 1929 was read and referred to the Committee on Appropriations.

Discussed resolution (S. Res. 2) concerning the charges against Senator-elect Vare, Pa., R.

The President's message transmitting the Budget for 1929

was read and referred to the Committee on Appropriations.
Considered the first deficiency bill (H. R. 5800) which included the second deficiency bill that failed to pass in the last

Mr. Ramseyer, Ia., R., quoted the Attorney General's opinion on the McNary-Haugen Bill in which he concluded that it would be unconstitutional

Mr. McKeouen, Okla., D., spoke on farm relief.

The Chairman of the Committee on Appropriations, Mr.

Madden, Ill., R., explained the deficiency bill as presented to

At the direction of the Committee on Ways and Means, Mr. Green, Ia., R., made a favorable report on the new tax bill (H. R. 1) and was allowed until midnight to file the report. Mr. Garrett, Tenn., D., announced that the unveiling of the statue of Alexander H. Stephens would be the following day.

Mr. Newton, Minn, R., announced the death of Oscar E. Keller, Minn., R.

A total of 352 bills and resolutions was referred to Com-

mittee. Adjourned.

#### Thursday December 8, 1927

#### Senate:

The message of the President transmitting with favorable recommendation the plan of the Army engineers for flood control of the Mississippi was read and referred to the Committee on Commerce.

Messages from the President transmitting the annual re-ports from a number of Federal departments were read and

referred to the proper committees.

Resumed discussion of the resolution (S. R. 2) opposing the seating of William S. Vare of Pennsylvania.

A total of 229 bills was referred to Committee.

Announcement was made of the unveiling of the statue of

Alexander H. Stephens that afternoon.

Messages from the President containing annual reports from number of Federal departments were read and referred to Committee.

The House upon the motion of Mr. Madden, Ill., R., resolved itself into the Committee of the Whole for the further consideration of the first deficiency bill (H. R. 5800).

Discussed the Anti-Saloon League; refunding of taxes; the Washington (D. C.) building program; the ammunition depot at Curtis Bay; Governors Island as an airport, and flood

A total of 177 bills was referred to Committee. Adjourned.

### Friday, December 9, 1927

Additional annual reports were referred to Committee.

Passed the resolution (S. R. 2) as amended, denying Mr.

Vare of Pennsylvania until the Senate takes final action: Provided, that Mr. Vare be accorded privileges of the floor to be

which, that is varie to recovere privileges of the moor to be heard on his right to membership.

The resolution (S. R. 10) reaffirming and continuing the powers given to the committee by the last Congress to investigate election expenses was ordered to go over.

Agreed to resolutions of regret at the death of members of the Moore of Powership the contract of the c

the House of Representatives and as a mark of respect the Senate adjourned.

A total of 829 bills was referred to Committee

Passed the first deficiency bill (H. R. 5800).

On the vote of Mr. Madden, Ill., R., a motion to reconsider the vote by which the bill was passed was laid on the table.

Considered the new tax bill (H. R. 1) submitted by the Chairman of the Committee on Ways and Means, Mr. Green, Ia., R. A total of 207 bills was referred to Committee.

Adjourned.

Senate: Not in session.

Col. Charles A. Lindbergh was conducted to the floor of the

House and presented to the members amid prolonged applause. Unanimously passed the bill (H. R. 3190) conferring the Congressional Medal of Honor on Col. Charles A. Lindbergh. Considered the new tax bill (H. R. 1).

A total of 112 bills was referred to Committee. Adjourned.

#### Senate:

Monday, December 12, 1927 A message from the House announcing passage of the first deficiency bill (H. R. 5800) was read. The bill was referred to the Committee on Appropriations

Additional annual reports were referred to Committee.

Mr. Warren, Wyo., R., Chairman of the Committee on
Appropriations, reported favorably with amendments the first
deficiency bill (H. R. 5800) as passed by the House.

Mr. Watson, Ind., R., offered a resolution in the nature of an
order naming the members of the Standing Committees of the

Senate.

Concurred unanimously with the House in the passage of the bill giving the Congressional Medal of Honor to Col. Charles A. Lindbergh.

Agreed to the resolution (S. R. 10) reaffirming the authority of the committee to investigate election expenses.

A total of 167 bills was referred to Committee. Adjourned.

The list of the chairmen and members of the Standing Committees of the House was inserted in the Record. Resumed consideration of the new tax bill (H. R. 1). Additional annual reports were referred to committees.

A total of 325 bills and resolutions was referred to Com-

#### Tuesday, December 13, 1927

#### Senate:

Discussed standing committee assignments, farm relief and cotton gambling.

Agreed to the order of the Standing Committee assignments. Passed the bill (S. 1397) reducing the period of the statute of limitations.

Passed the first deficiency bill (H. R. 5800). A total of 121 bills was referred to Committee.

Additional annual reports were referred to Committees.

Mr. Carss, Minn., F. L., praised the services of the Coast

Agreed to the resolution (H. R. 8) setting the time of the holiday adjournment from December 21, 1927, to January 4,

Discussed the time limit on soldiers' bonus.

Resumed consideration of the new tax bill (H. R. 1).

Additional annual reports were referred to Committee.

A total of 152 bills and resolutions was referred to Com-

Adjourned.

#### Wednesday, December 14, 1927

#### Senate:

#### Not in session.

By unanimous consent the business of Calendar Wednesday

By unanimous consent the business of Calendar Wednesday dispensed with.

Messrs, Madden, Ill., R.; Wood, Ind., R., and Byrus, Tenn., D., were appointed to confer on the Senate amendments to the first deficiency bill.

Resumed consideration of the new tax bill (H. R. 1).

A telegram of congratulation was sent to Col. Charles Lindbergh upon his arrival in Mexico.

Mr. McMillan, S. C., D., spoke with praise on the life of the late Brig. Gen. Joseph E. Lee.

The bill (S. 1397) reducing the statute of limitations passed by the Senate was referred to the Committee on the Judiciary.

A total of 112 bills and resolutions was referred to Committee. mittee.

#### Thursday, December 15, 1927

Tribute was paid to Col. Charles A. Lindbergh on his Mexican

flight.

Mr. Warren, Wyo., R., Mr. Curtis, Kans., R., and Mr. Overman, N. C., D., were appointed conferees on the first deficiency

Mr. Caraway, Ar., D., explained his farm relief bill (S. 1764). Passed the resolution (S. J. Res. 48) providing for the appointment of Charles Evan Hughes as member of the Board of Regents of the Smithsonian Institution.

Agreed to resolutions (S. Res. 69, 71, and 73) providing for the election of Mr. Moses., N. H., R., as President of the Senate pro tempore, Mr. Edwin Thayer of Indiana, as Secretary of the Senate, and Mr. David Barry of Rhode Island, as Sergeant at Arms.

A total of 58 bills was referred to Committee. Adjourned.

#### Hones

Passed the tax bill (H. R. 1) with amendments including those providing for repeal of the automobile tax, reduction of tax on corporation incomes under \$15,000 and filing of "affiliated" returns by parent and subsidiary corporations.

Unanimous consent was given for the House to begin discussion the next day of the alien property bill (H. R. 7201).

The conference report on the first deficiency bill (H. R. 5800) was made

A total of 275 bills and resolutions was referred to Committee.

Adjourned.

#### Friday, December 16, 1927

#### Senate:

Not in session.

#### House

Agreed to the conference report on the first deficiency bill (H. R. 5800).

Agreed to the motion that the House further insist upon its disagreement to the Senate amendments on the first deficiency bill (H. R. 5800).

Discussion followed on affairs in Mexico by Mr. Connery, Mass., D., prohibition enforcement by Mr. LaGuardia, N. Y., S., and the joint reunion of the Veterans of the Union and Confederate Armies by Mr. Howard, Neb., D.

Considered the alien property bill (H. R. 7201) providing for the settlement of both American and German claims.

Discussion followed on the farmers' problems by Mr. Brand, O., R.; Muscle Shoals by Mr. Lowrey, Miss., D., and flood control by Mr. O'Connor, La., D.

A total of 177 bills and resolutions was referred to Committee.

Adjourned.

#### Saturday, December 17, 1927

#### Senate:

Additional annual reports and claims were referred to Committee.

The new tax bill (H. R. 1) as passed by the House was referred to the Committee on Finance.

Agreed to the Conference report on the first deficiency bill (H. R. 5800).

Agreed to the concurrent resolution (H. Con. Res. 8) providing that both Houses stand adjourned from Dec. 21, 1927, until January 4, 1928.

until January 4, 1928.

Passed the joint resolution (S. S. Res. 49) providing for the appointment of John Campbell Merriam as a member of the Zoard of Regents of the Smithsonian Institution.

Passed bill (S 1090) authorizing construction of bridge across Tennessee River in Perry and Decatur counties,

A total of 93 bills was referred to Committee, Adjourned.

#### House:

Not in session.

#### Monday, December 19, 1927

#### Senate

Additional reports were referred to committee.

Read the open letter from Mr. Norris, Nebr., R., to William Randolph Hearst concerning the charges made in the Hearst papers.

Members of the committee to investigate the charges made by the Hearst papers reported that the four Senators named were found to be guiltless, and that further investigation would be on the genuineness of the documents revealed to the public. Discussed the investigation of public-utilities corporations.

Concurred in a resolution (H. Con. Res. 11) authorizing a correction in the enrollment of the first deficiency bill (H. R. 5800).

Thirty-nine bills were referred to committee, Adjourned.

#### House:

Agreed to resolution (H. Con. R. 11) authorizing a correction in the enrollment of the first deficiency bill (H. R. 5800).

Mr. Dickinson, Mo., D., expressed sympathy for victims of the submarine disaster.

Passed bills extending time for construction of the following bridges: Across the Mississippi near Clearwater, Minn., across the Missouri at Wolf Point, Mont., across the Rio Grande at El Paso, Tex., across the Potomac at Dahlgreen, Va., across the Red River at Fulton, Ark., across Tennessee on Linden-Lexington Road, Tenn., across the Susquehanna between Wrightsville and Columbia, Pa., and across the Columbia near Kettle Falls, Washington.

Passed bill (H. R. 349) supplementing the naturalization laws.

Passed resolutions (S. S. 48 and 49) appointing Charles Evans Hughes and John Campbell Merriam as members of the Board of Regents of the Smithsonian Institution.

Passed bill (H. R. 164) authorizing appropriations for construction of Soldiers' Home at Los Angeles.

Passed bill (H. R. 48) to erect marker to memory of Federal soldiers killed at Battle of Perryville.

Passed resolution (H. S. Res. 82) to continue commissioners in the Court of Claims.

Discussed bill surveying employees and services of the House to make corrections, equalize salaries, and abolish useless positions.

Passed bill (H, R. 483) authorizing purchase of certain D. C. lands for public building sites.

Referred messages of the President and accompanying papers to Committee.

Resumed consideration of alien property bill (H. R. 7201).

A total of 203 bills and resolutions was referred to com-

mittee. Adjourned.

#### Tuesday, December 20, 1927

#### Senate:

Not in session.

#### House

Passed the alien property bill as amended (H. R. 7201).

A total of 115 bills and resolutions was referred to committee.

Adjourned.

#### Wednesday, December 21, 1927.

#### Senate

Announced the death of Senator Jones of New Mexico and adjourned in respect to his memory.

#### House

Agreed to resolution (H. Res. 67) appointing five additional members to the Committee on Patents.

Passed bills (H. R. 280 and 5547) authorizing the construction of bridges across the Red River near Coushatta, La., and across the Missouri River at St. Joseph, Mo.

Praised the services, as parliamentarian, of Mr. Lehr Fess, who resigned.

The Speaker, Mr. Longworth, O., R., and the Republican Floor Leader, Mr. Tilson, Conn., R., congratulated the House on its efficiency in passing three major pieces of legislation, the first deficiency bill (H. R. 5800), the new tax bill (H. R. 1) and the alien property bill (H. R. 7201) in less than two weeks.

A total of 50 bills and resolutions were referred to committee.

Adjourned in respect to the memory of Senator Jones of
New Mexico.

## Prospects for Tax Reduction in 1928

The President Outlines the Administration's Program.

Chronology of Action to Date on New Tax Bill.

Proposed Changes in Present Tax Law as Recommended

by the Treasury and as Passed by the House.

Treasury Department's Criticism of the House Bill.

Pro and Con Discussion of Proposed Changes.

# The President Outlines the Administration's Tax Reduction Program

INCE 1920 there have been three reductions in taxes for the purpose of relieving the people of some of their war burdens. The act of November, 1921,

lightened the tax load by a reduction of \$663,000,-000. The act of 1924 afforded additional relief of \$519,000,000. The act of 1926 made a further reduction of \$422,000,000. Taking these all together our tax demands have been lessened by \$1,604,000,000. This in itself illustrates the value of orderly procedure. The people are permanently richer because of the diminished demands made by the Federal Government. And hand in hand with these material curtailments of the amounts taken from the people the public debt has been reduced. From a peak of more than twenty-six and a half billions of dollars the debt had been reduced on June 30, 1927, by \$8,084,794,-716. This lowering of the debt means an annual saving in interest of approximately \$320,000,000. While this tangible and extraordinary saving emphasized the importance of debt reduction as a preliminary to ultimate adequate tax reduction, we have at this time for consideration the question of further relief to those who pay Federal taxes.

In planning for a revision downward of tax rates the first question that presents itself is the amount of money that can safely be devoted to the purpose without curtailing necessary activities of the Government or threatening a deficit. The extraordinary surplus of June 30, 1927, was \$635,-809,000, and was made possible by receipts from nonrecurring sources of \$414,000,000, only \$221,000,000 coming from current and continuing sources. Of this surplus \$612,000,000 was applied to the public debt, effecting an annual interest

saving of \$24,000,000.

The estimated surplus for this year—which ends with June 30 next—is \$454,000,000, of which \$318,000,000 is from nonrecurring sources, and \$136,000,000 from current and continuing sources. This is an increase of \$254,000,000

over the estimate carried in the 1928 Budget, of which increase \$158,000,000 is from miscellaneous receipts which include \$154,000,000 in receipts from railroads. The remaining \$96,000,000 of the increase is found in regular revenue returns.

The estimated surplus for 1929-the coming fiscal year -is \$252,540,000, of which \$75,000,000 is from nonrecurring sources. This surplus is reached by means of a fairly sanguine estimate of receipts and a carefully restricted estimate of expenditure. The expenditure estimate for 1929 of \$3,557,000,000 includes nothing for flood control with the exception of the fifth-year allowance of \$10,000,000 in the six-year program authorized by Congress. Other pro-posed major projects, not yet the subject of legislation, are not provided for in this estimate. It is reasonably certain that some of them will be enacted into law and will call for material advances from the Federal Treasury. This will doubtless have the consideration of the Congress. Careful study of all these factors points to a tax reduction of \$225,-000,000 as the maximum, and that amount only possible on the assumption that the estimates of expenditure for 1929 be not materially exceeded, and that additional continuing obli-gations be incurred only to the extent that absolute necessity from the standpoint of public need warrants. Adequate flood protection, of course, meets the requirement of absolute and urgent necessity.

Under the provisions of the Budget and Accounting Act I recommend to Congress that taxes be reduced by not to

exceed \$225,000,000.

Each of the three reductions in tax rates since November, 1921, has been measured on the certainty of our ability to stand such reductions. This is the only safe course. It has brought forth a balanced budget. In this we have found our financial stability. We have been operating on the wise

Continued on page 34

# Chronology of Action to Date on New Tax Bill

October 31-The House Committee on Ways and Means began hearings on a bill they had met to prepare. At the request of the Committee, the Secretary of the Treasury, Mr. Mellon, and the Under Secretary, Mr. Mills, appeared at the opening of the hearings and presented the Administration's

November 10-The Committee concluded its hearings.

December 7-The bill (H.R. 1) was reported to the House by Mr. Greene, Iowa (R.), chairman of the House Ways and Means Committee,

December 9-The House began consideration of the bill. December 15-The bill, with amendments, was passed by the House and sent to the Senate, where it is awaiting action by the Committee on Finance.

# Proposed Changes in Present Tax Law as Recommended by the Treasury and as Passed by the House

#### Present Law

- (2) The regular 131/2 per cent corporation tax applies to small corporations as well as large corporations.
- (3) Under the present law the income tax rate on incomes from \$14,000 to \$24,000 increases 1 per cent for every additional \$2000 of income and on incomes from \$24,000 to \$64,000 it increases on each additional \$4000 of income.
- are taxed by the Federal Government.
- (5) Under the present law incomes derived from American Bankers' acceptances held by foreign control banks of issue are taxed.
- (6) Under the present law a tax of 10 per cent is levied on all admissions to places of entertainment which cost more
- (7) General Tax of 10 per cent on admissions is applicable to tickets to prize
- (8) Under the present law dues to clubs and other organizations are subject to a tax of 10 per cent.
- (9) Under the present law there is a tax of 1/10 per cent per gallon on cereal beverages.
- (10) Under the present law the tax on wines is slightly in excess of that on distilled spirits.
- (11) Under the present law there is a stamp tax of 2 cents per \$100 value on the sale or transfer on capital stocks.
- (12) Under the present law there is a 1 cent tax on sales on produce ex-
- (13) Under the present law there is a tax of 3 per cent on automobiles
- (14) Under the present law there is a small tax on the use of foreign-built boats.
- (15) Under the present law affiliated corporations are permitted to make consolidated tax returns.

#### Treasury Plan

- (1) Under the present law all corporations' incomes are taxed 13½ per on corporate income from 13½ per cent of revenue \$146,600,000. to 12 per cent. Estimated loss of revenue \$135,000,000.
  - (2) Amend provisions of law applying tax on corporate income to permit corporations with net income of \$25,-000 or less, and with not more than 10 stockholders to file returns and pay tax \$12,000. as partnerships at their option. mated loss of revenue \$30,000,000 to \$35,000,000.
  - (3) A reduction of rates on individ-(4) Under the present law estates ual incomes from \$10,000 to \$70,000 so that the rate will increase 1 per cent for each additional \$4000 of income. Estimated loss of revenue \$5,000,000.
    - (4) Repeal of estate tax law recommended. Estimated loss of revenue \$7,-000,000.
    - (5) Repeal of this tax recommended.
    - (6) Retention of tax on admissions above 75 cents recommended.
    - (7) Ringside seats to Dempsey-Tunney prize-fight costing \$40 each cited as furnishing an ideal item for taxation.
      - (8) Retention of tax recommended.
      - (9) Retention of tax recommended.
      - (10) Retention of tax recommended.
      - (11) Retention of tax recommended.
    - (12) Retention of tax recommended.
    - recommended.
      - (14) Retention of tax recommended.
      - (15) No recommendation.

The Treasury estimated that the loss of revenue from proposed tax reductions should not exceed \$225,000,000.

#### House Bill

- (2) Amend provisions of existing law as follows:
- 5 per cent tax on net corporate incomes up to \$7000.
- 7 per cent tax on corporate incomes of more than \$7000 and not more than
- 9 per cent tax on corporate incomes of more than \$12,000 and not more than \$15,000.
  - Est. loss of revenue \$24,000,000.
- Exemptions for corporations increased from \$2000 to \$3000 with limitations. Estimated loss of revenue \$12,000,000.
- Total estimated loss of revenue from changes in corporation tax provisions, \$200,000,000.
  - (3) No action.
  - (4) No action.
  - (5) Tax repealed.
- (6) Retained general 10 per cent admission tax, but extended the exemption to all admissions of \$1 or less. mated loss of revenue \$8,000,000.
- (7) Places tax of 25 per cent on all prize-fights admissions of \$5 and over. Estimated gain in revenue \$750,000.
- (8) Reduced dues tax to 5 per cent. Estimated loss of revenue \$5,000,000.
- (9) Beverage tax repealed. mated loss of revenue \$185,000.
  (10) Reduced tax on wine to con-
- form to that on distilled spirits. Estimated loss of revenue \$930,000.
- (11) Stock sale or transfer tax re-(13) Retention of automobile tax duced to 1 cent. Estimated loss of revenue \$8,800,000.
  (12) Produce exchange sales tax re
  - pealed. Estimated loss of revenue \$3,-000,000.
    - (13) Tax on automobiles repealed.
  - (14) Tax on foreign-built boats contracted for after December 1, 1927. slightly increased Estimated gain in revenue \$30,000.
  - (15) Repeals provision allowing affiliated corporations to make consolidated tax returns and requires them to make separate returns. Effect unestimated.

000,000,

Total estimated loss of revenue \$290,-

# The Treasury Department Criticizes The House Tax Bill

Statement by Ogden L. Mills Under Secretary of the Treasury



HE bill which was adopted by the House of Representatives last Thursday, under the leadership of Mr. Garner, the Minority leader, endangers the integrity of the Budget as presented for the next fiscal year. Whereas the official figures submitted by the President in his Budget message, after mak-

ing reasonable provision for debt reduction, place the surplus at \$252,000,000—without taking into consideration such additional expenditures as may be called for by flood relief, agricultural relief, the purchase of the so-called Triangle in Washington at a cost of \$25,000,000, the passage of a public buildings bill increasing the maximum of annual expenditure, the Boulder Dam project, and naval expansion—the Revenue bill as passed reduces the taxes by approximately \$290,000,000. The Treasury Department had previously stated that \$225,000,000 represented a maximum figure of possible reduction, and even that figure allowed a very slim margin of safety. The reduction provided in the bill as amended and adopted by the House exceeds the Treasury maximum by \$65,000,000.

There is no conceivable excuse for incurring the risk of an unbalanced budget, which means serious interruption of a reasonable and moderate program of debt reduction. Our Federal taxes today do not constitute an unbearable burden. There have been three sweeping tax reductions since 1921. Another substantial reduction is possible without endangering the integrity of the Budget or confronting the Treasury Department with the necessity of additional bond, note, or certificate issues which will serve to negative and offset debt retirement from foreign repayments and sinking fund.

Budgeting on the basis of "let's take a chance" is a dangerous practice to indulge in. Once started, there is no telling when it can be curbed. Tax reduction will ever constitute the lure with which the unwary are led down the slope that leads to an excess of expenditures over receipts, with all of the consequent evils which European experience has demonstrated are inevitable. The way to keep out of holes is not to dig them. Filling them in afterwards is a poor remedy.

This is not the first time that political considerations have been given precedence over sound fiscal principles. In 1924, also a Presidential year, the Democratic minority, acting with a minority of Republicans, rejected the recommendations of the administration and wrote a political tax bill. In the fall the country was heard from and in 1926 the very gentlemen who had ridiculed and rejected the suggestions of the Secretary of the Treasury found themselves obliged to write them into the law. But while taxes were reduced, the people were obliged to wait two years for the kind of tax revision to which they were entitled and which they eventually obtained. It may well be that the people will again have to wait for the tax reduction they are entitled to now.

Certainly if the only tax reduction which the Congress is willing to grant is excessive tax reduction, then it would be better to wait a year or so and give the country opportunity to express its opinion and will.

In this connection it is worthy of note that the Budget law, on which our present sound fiscal system is based, recognizes the necessity of balancing the Budget. In fact, the President is specifically required when the estimated amounts in the Treasury available for expenditure are less than the estimated expenditures, to make recommendations to Congress to meet the estimated deficiency. In other words, the President is required to submit to Congress a balanced Budget, or if the Budget is not balanced, to recommend such measures as will secure adequate funds to meet current expenditures. The spirit and purpose of the Budget law are clear. They should be lived up to.

The question before the country and the Congress is a very simple one: Are we to adhere to the principle of a balanced Budget and to the orderly program of debt retirement hitherto consistently followed, or are we in order temporarily to obtain a larger measure of tax reduction formally to recognize deficits as justifiable and to embark on a course that at best will retard and partially negative the retirement of our war debt now provided for. How absurd on the one hand to make sinking fund appropriations to retire war bonds and on the other to compel the Treasury to issue new bonds to cover current expenditures.

Charged as the Treasury is with our public debt operations, we have a very direct interest in the answer to be given to the above question.

Our debt operations are twofold in character. Whenever conditions are favorable, we refund high interest-bearing securities into securities bearing a lower rate of interest. At the same time, when securities mature, or circumstances make it desirable and possible to call them prior to maturity dates, the obligations are retired, and thus there is effected a permanent reduction of the national debt. This cannot be done in a haphazard way, but calls for foresight, planning and the setting up of a schedule of maturity dates which will make available maturities to which sinking fund appropriations and foreign repayments may be applied. The Treasury Department's retirement and refunding policies are based on a definite plan extending over a number of years. Such a plan is not based on the assumption that there will be available such surpluses as have existed during the past few years, but it is certainly based on the assumption that there will not be a series of deficits, and that, while engaged in a program of retiring our war debt from two established sources we will not at the same time be confronted with the necessity of issuing securities in order to meet expenditures which should be provided for out of ordinary revenue.—Extracts, see 2, p. 34.

## Are Treasury Estimates of Government Revenues Sound?

### Pro

UNITED STATES DEPARTMENT OF THE TREASURY Statment of Hon. Andrew W. Mellon, Secretary



HAVE a copy of the pamphlet embodying the Chamber of Commerce's referendum on Federal taxation. I have read it with care, as well as the Chamber's public statement of November 30, in which in the face of official figures showing such a reduction to be excessive, is reaffirmed the Cham-

ber's advocacy of a \$400,000,000 tax reduction. I note that in the public statement the Chamber confines its figures to the fiscal year 1928, as to which there is no dispute, and refrains from giving any data as to the year 1929, in which year the Treasury estimated the surplus will not exceed \$274,000,000, and the Budget Bureau's figures, which are more recent and increase the expenditure estimate, indicate will be \$252,000,000 or \$22,000,000 less.

What has surprised me most, both in their public statements and in the report of the committee on taxation submitted to the members upon which the vote was based, is the entire absence of detailed figures as to future revenues and expenditures, without which it is impossible to prepare a budget or to express an opinion as to its soundness. estimating probable surplus, probable expenditures are fully as important as receipts. The report of the committee contains no estimate of expenditures for the fiscal year 1929. Indeed, as far as 1929 is concerned, at the time the Chamber report was prepared such figures were not even available to this Department and could, therefore, not have been available to the Chamber's committee. Budget estimates must be based on a detailed analysis of known needs, not on generalization.

Moreover, when figures are given in the Chamber report, they are in some instances evidently based on a surprising misconception of the facts. Thus, in giving the figures for the yield of the corporation income tax for the fiscal year 1927, the report states that the rate was 13 per cent during the first half of the fiscal year. As a matter of fact, it was 131/2 per cent. Again the report treats the yield as if it were wholly derived from current revenue, whereas a very considerable sum is included from taxes due from prior years. Such carelessness is excusable perhaps in a general discussion. It is likely to lead to very serious errors in the preparation of a budget. Certainly it is hard to defend in a report which furnishes the basis for an attack on official estimates prepared with great care after taking into consideration all known factors.

The Chamber of Commerce lays great stress on past surpluses. Analyzing some of the factors which contributed to these surpluses, it is interesting to note that if we exclude back tax collections less internal revenue refunds, and the receipts from the disposal of such capital assets as railroad securities, farm loan bonds, assets of the War Finance Corporation, and surplus war material, in the year 1923 there would not have been a surplus but a deficit of \$89,000,000; in the year 1924 a surplus of but \$169,000,000 instead of \$505,000,000; in

Continued on next page

CHAMBER OF COMMERCE OF THE UNITED STATES Report of Committee on Federal Taxation



T has been argued that the past years' surplus is not a reliable guide as to the amount of tax reduction. One argument advanced is that back taxes, which in 1926 equalled about \$400,000,000 and in 1927 about \$385,000,000, will substantially diminish. Another argument is that the amount real-

ized by the Government from its holdings of railway and other securities is likely to decrease. Similar predictions have been repeatedly made in the past only to be disproved by later developments. Perhaps the best answer to these arguments is found in the following table, showing how consistently in the past five years surpluses have been underestimated. After a study of the various factors involved, we are satisfied that no serious reduction of the revenues noted is likely to occur in the immediate future.

#### OFFICIAL ESTIMATES OF SURPLUSES In thousands of dollars

Year ending June 30	Date of official estimate	Official estimate of am't. of surplus	Actual
1924	.June 30, 1923	\$30,044 (Defici	t)
	December, 1923	329,639	.\$505,366
1925	June 30, 1924	24,939	
	December, 1924.	67,884	. 250,505
1926	June 30, 1925	290,970	-3-13-3
	December, 1925.	262,041	. 377.767
1927	June 30, 1926	186,297	31111-1
	December, 1926.	385,079	615.000
1928	June 30, 1927	200,701	

Official estimates made June 30, 1927, placed the present year's surplus at \$200,703,863. The official estimates, however, in the past have been uniformly much less than the actual surplus realized. From the foregoing table it is obvious how conservative, indeed, ultra-conservative, official estimates of surpluses have been. In one case the actual surplus was nearly four times the estimates, in other cases double, and in no instance has the actual surplus been less than 50 per cent in excess of the estimates.

All the internal revenue acts since the war period have reduced rates and at the time of the passage of each there has been apprehension, particularly in official quarters, that too great reductions have been made. Events have in each instance, however, proven that such apprehensions were entirely unfounded. The table below indicates the surpluses for each of the fiscal years since 1922 and also the debt retirement from sources other than annual surpluses.

#### In thousands of dollars

Year June 30	Surplus	Debt red'n other than from surplus	Total Rev. in excess of current running exp. of the Gov't
1922	\$313,000	\$700,000	\$1,011,000
1923	309,000	502,000	811,000
1924	505,000	594,000	1,099,000
1925	250,000	484,000	734,000
1926	377,000	495,000	872,000
1927	635,000	520,000	1,155,000
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#### U. S. DEPARTMENT OF THE TREASURY-continued

the year 1925 a deficit of \$93,000,000; in the year 1926 a surplus of \$162,000,000 instead of \$377,000,000; and in 1927 a surplus of \$221,000,000 instead of \$635,000,000; while the surpluses of 1928 and 1929, exclusive of special receipts from the above named sources, are estimated at \$137,000,000 and \$199,000,000, respectively. These figures will hardly support the Chamber's contention that there is ample reason to believe that current revenues can be reduced by \$400,000,000 per annum with safety. Of the \$2,000,000,000, approximately, of debt retired from surplus during the five fiscal years ending June 30, last, no less than \$1,700,000,000 is accounted for by these special or temporary items, including no less than \$900,000,000 from the realization of capital assets. It must be conceded that there could be no better application of the proceeds of the sale of capital assets than to the reduction of the national debt.

In my statement before the Ways and Means Committee, I pointed out that the revenue from temporary sources must disappear in the course of the next year or two. The report of the Chamber's committee answers this argument with the statement that "similar predictions have been made in the past only to be disproved by later developments." This is hardly worthy of a business men's report. How can receipts be realized from assets which no longer exist? Receipts from Federal farm loan bonds and other minor securities amounted to \$34,000,000 in 1926 and to \$63,000,000 in 1927. The Government holds no more farm loan bonds. Receipts from the War Finance Corporation assets amounted to \$19,000,000 in 1926 and to \$27,000,000 in 1927. The War Finance Corporation has been practically liquidated and not more than \$6,000,000 can be realized from this source in the future. Receipts from railroad securities amounted in 1926 to \$36,000,000, in 1927 to \$89,000,000, and we will receive in 1928 probably \$169,000,000. But in 1929 not more than \$24,000,000 is anticipated from this source and after that little or no revenue can be expected under this head, for the very simple and good reason that only \$49,000,000 principal amount of railroad obligations will be left out of the \$230,000,000 held on June 30, 1927.

The Treasury's estimates as to expenditures are based on the figures furnished by the Budget Bureau, which submits them after a careful survey of the needs of all departments and bureaus and with complete knowledge of the appropriations to be recommended to the Congress for the year in question. It must be noted that the estimates of expenditures submitted to the Ways and Means Committee did not include increased expenditures which may result from new legislation such as flood relief. The present Treasury estimates of receipts are based on a careful analysis of (1) probable receipts from miscellaneous sources in the light of past experience and taking into consideration the periods in which the proceeds of capital assets still in hand are likely to be realized; (2) a careful study of probable future tax collections on account of previous years, commonly known as back tax collections, based on the number of cases on hand, the current monthly rate of yield from this source, and an esti-mate of the amount involved in unsettled cases; and (3) in so far as current tax and customs receipts are concerned, on the assumption that neither in 1928 nor in 1929 will the yield fall substantially below that of the fiscal year 1927, in spite of the fact that business in the calendar year 1927 has not apparently reached the high level of 1926, a fact that Con\_Continued

#### CHAMBER OF COMMERCE OF THE U. S .- continued

The act of 1924 which made drastic reductions in many important rates was followed by a surplus of over half a billion dollars in 1924, when the act was partly effective, and a quarter of a billion in the following year. After the 1926 act, which also contained drastic reductions, there was a surplus for the first year of over \$375,000,000, and the following year \$635,000,000. It is obvious that none of the previous tax-reducing acts was drastic enough to absorb the unnecessary amount of money which the Government was collecting. Tax reduction now should proceed to a point that will substantially absorb any potential surplus. At the last annual meeting of the Chamber a resolution was adopted stating that "a proper fiscal policy requires that Federal revenues and expenditures should substantially balance" and the committee reaffirms this resolution.

All surpluses that may accrue should quite properly be applied automatically to the reduction of debt, and moderate surpluses, which, due to the difficulty of accurately estimating income and expenditures may be expected, can thus be used to good purpose. Surpluses, however, as large as those realized in recent years necessarily mean that more is being taken from the taxpayer than is needed to meet the current expenses of the Government and, while the peculiar uncertainties of the recent past may be held to have justified a wide margin of safety in estimates, no such justification now exists.

While no deficit is anticipated should the rate reductions advocated herein be made effective, it is obvious that in view of the excellent credit standing of the Government and the low interest rates at which it can borrow money, there would be no great cause for alarm even though a deficit should, through unexpected developments, arise in any year. Budgets should therefore be framed with proper but not undue caution based upon reasonable expectations and not upon pessimistic apprehensions of the worst that might happen.

Any large unappropriated sums in the Treasury over and above the amounts required to meet necessary expenditures are a constant temptation for extravagant appropriations, while on the other hand a very potential restraining influence either on the legislature or the administration is the knowledge that there is no surplus and heavy expenditures will mean either an increase in taxation or an actual deficit to be covered by the issuing of additional Government obligations. A sound fiscal policy demands that tax rates be so reduced that there are no unnecessary amounts collected by the Government, the taxpayers being consistently allowed to absorb potential surpluses.

While the surpluses of the past have been, according to law, applicable to the reduction of the national debt, good budgetary practice does not warrant surpluses designedly created for the purpose of reducing debt, nor do fiscal conditions make it necessary. From revenues derived from various sources the national debt has been rapidly reduced. The present arrangement for retiring the funded obligations of the Government through the sinking fund and other revenues specifically provided for by statute is thoroughly approved and the tax reductions avocated in this report are not to be construed as indicating that such statutory amounts should be reduced.

In order to assure satisfactory tax reductions, appropriations must be kept within present limits and not allowed to absorb potential surpluses. As always happens when

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# Should the Present Tax on Automobiles Be Retained?

Pro

UNITED STATES DEPARTMENT OF THE TREASURY Statement of Hon. Andrew W. Mellon, Secretary

REAT pressure will be brought to bear on the Congress to repeal the excise tax on the sale of automobiles. I cannot agree to the advisability of such a repeal.

The Federal appropriation for good roads in the fiscal year 1928 runs as high as \$71,000,000, and in the fiscal year 1929 will be \$75,000,000. These expenditures by the Federal Government are for the direct and immediate benefit of automobile owners. They should make some contribution in return.

There is another aspect of this situation deserving consideration from the standpoint of justice and fairness. The automobile is one of the railroad's chief competitors. Our railroads are paying heavy taxes to the United States Government, a part of which is being used for highway purposes. The latest available figures for railroad corporations having taxable net income indicate an increase in the income tax paid by them to the Federal Government from \$57,000,000 for the calendar year 1924, to \$94,000,000 for the calendar year 1925. Is it quite fair to ask the railroads to contribute to the construction and maintenance of the roads on which their rivals operate while exempting the latter from any contribution?

The automobile is a semi-luxury article of such widespread use that it furnishes a broad base on which to apply a low tax. The rate being low, there is no appreciable hardship to the taxpayer; the base being broad, the tax is a good revenue producer. Unless we are to rely almost exclusively on direct taxes paid by a few and are prepared to see our National Government supported not by the entire body of our citizens, but by a limited class, this is the kind of tax which should be retained.

The income tax has gradually become so restricted in its application, that it is a class rather than a national tax. For the calendar year 1925, 9,560 taxpayers returned about 49 per cent of the total tax returned. Three hundred twenty-seven thousand and eighteen individuals returned \$701,497,726 out of a total of \$734,555,183. Out of our entire population of 114,000,000, only 2,501,166 individuals returned taxable income, and of these, 2,174,148 returned only \$33,000,000 of tax, the balance of \$701,000,000 being returned by 327,018 individuals. According to these returns, less than three-tenths of 1 per cent of our population returned 95.5 per cent of our total income tax; about 1.9 per cent returned 4.5 per cent, and the remaining 97.8 per cent of the population returned no tax whatsoever. Obviously, some other taxes should be retained.

Once the automobile tax is repealed, it cannot be reimposed in time of peace. This creates a situation which should squarely be faced at this time. Both the Treasury Department and the Congress desire to reduce taxes to the greatest possible extent consistent with the prospective revenue needs of the Government. The reduction will be made under the

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AMERICAN AUTOMOBILE ASSOCIATION
Statement of Thomas P. Henry, Representative



E should be willing to rest our case on its merits without discussion were it not for the unwarranted move launched by the Treasury Department advocating the retention of a war excise tax as a peacetime source of Federal revenue.

The Treasury Department urges that the tax on passenger automobiles be retained, first, because the Government spends between \$71,000,000 and \$75,000,000 per year for good roads, which are, in the language of the Secretary, "for the direct and immediate benefit of automobile owners."

We protest most emphatically against attempts of the Treasury officials to becloud the present issue by tying in the question of Federal aid on roads. Congress has never considered the one as in any sense dependent upon the other.

The first roads bill was passed 15 months prior to the first automobile tax. The excise tax was put on motorists as a war tax, has been continued for 10 years, and in all fairness to those who have paid more than \$1,068,000,000 on the war debt should be removed first in any program of tax relief.

Examine the Treasury's request in the light of a few pertinent questions and I think you will see the fallacy of its reasoning.

Will Congress in peace time sanction the principle of taxing special groups for special benefits? If so, why single out the automobile for special discrimination? Does not the only authority of Congress to give aid on roads lie in its constitutional power to provide postal and defense highways and for the general welfare? Are these functions as expressed in terms of Federal aid on roads for the good of the Nation or for motorists only?

The second reason urged by the Treasury Department for retaining the war tax on passenger automobiles is that the automobile competes with the railroad and that it is not "quite fair to ask the railroads to contribute to the construction and maintenance of the roads on which their rivals operate while exempting the latter from any contribution." The latest available figures are those quoted to show that the railroads paid \$94,000,000 in Federal taxes in the calendar year 1925.

The Treasury has failed to point out that the stock and bond holders of the railroads sought to be protected are themselves motorists; that, broadly speaking, all corporate stock and bond owners are motorists; and, further, that practically every income-tax payer owns an automobile. All contribute to the Government in the same manner that the railroads do and through the same kind of tax—the tax on personal and corporate incomes.

The Treasury, in mentioning the \$94,000,000 paid by the railroads in Federal taxes, should have been fair enough to cite the fact that the manufacturers of automobiles and related industries pay an aggregate Federal tax equal to that paid by the railroads. In seeking comparisons the Treasury

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## Pro-Continued

#### U. S. DEPARTMENT OF THE TREASURY-continued

reasonable assumption that business conditions will continue to be fairly prosperous. Should this assumption prove to be false and should there be a falling off in business, with a consequent immediate reduction in the yield of the corporation and individual income taxes, or should the day come when taxes as revised at this session of Congress are inadequate to meet the cost of Government, it is obvious that revenue needs will compel an increase in rates of the taxes then existing. It is equally obvious that under such circumstances income tax rates will have to be increased to an extent where they will not only make good the loss of revenue resulting from the reduction of income returned, but will, in addition, be required to contribute the \$66,000,000 more or less that the present excise tax on automobile sales now yields. Injustices in the field of taxation are inevitably committed under the pressure of necessity, and the time to preserve the integrity of a well-rounded, well-balanced system is in days of prosperity when rates can be kept at a minimum and no particular hardship is inflicted on any one class.

We have eliminated most of our excise taxes. There remain for revenue purposes the excise tax on tobacco and automobile sales, the admissions tax and a few stamp taxes. All of these should be retained in the interest of a well-balanced tax system. I have not seen it suggested that the excise tax on tobacco should be reduced, but when we consider the burden borne by the users of tobacco, an article which is likewise of the semi-luxury type—though many would classify it as a necessity—the 3 per cent automobile sales tax appears insignificant in character. Because this 3 per cent is levied upon the factory, or wholesale price, which is much smaller than the retail price, the automobile tax amounts to but two cents for every dollar paid by the ultimate consumer. Contrast this with the fact that for every dollar spent by our citizens for the articles enumerated, there is a tax required of two cents to five cents on cigars, nine cents on theater and other admissions, 20 cents on playing cards, from four to 22 cents on chewing and smoking tobacco, and from 17 cents to 40 cents on cigarettes. For the fiscal year 1927 the tobacco taxes yielded \$376,170,205.04, as compared with \$66,437,881.32 from automobiles.

The same reasoning applies with equal force to the tax on admissions. It is difficult to imagine a more ideal tax than one on the \$40 ringside seats at the recent Tunney-Dempsey fight. Surely no one will contend that the men and women who were willing to pay \$40 for a seat for 30 minutes of boxing could not well afford to contribute \$3.64 to the United States Government. The revenue yield from that particular fight was \$242,065.71. The tax of 60 cents for a box-seat costing \$6.00 for a world series baseball game, and the tax of 30 cents for a \$3.00 box seat at a representative theater is not considered excessive. The exemption of all admissions of 75 cents or less eliminates the tax on the recreation and amusement of an overwhelming majority of our citizens. Those who pay more than 75 cents can well afford to make a contribution to the Government, and such an excise tax cannot be held to be burdensome or to impose a restriction on legitimate recreation. The Revenue Act of 1926 materially reduced the tax on automobiles designed for the transportation of passengers, and repealed the tax on trucks and accessories .- Extracts, see 5, p. 34.

## Con-Continued

#### AMERICAN AUTOMOBILE ASSOCIATION—continued

might have insisted that the Government renew the war-time tax on passenger fares to make the burden on that mode of transportation comparable with the burden on the automobile. That, indeed, would form a broad basis for Federal taxation; but Congress in its wisdom discarded it. Automobile manufacturers, unlike the railroads, never received grants of 200,000,000 acres of the public domain, valued at nearly \$500,000,000, nor loans from Congress totaling \$381,000,000 to tide them over emergencies.

We have no quarrel with the railroads. Both railroads and automobiles have won their places in the realm of transportation. In 1926 the railroad carried 3,280,000 carloads of automotive freight or 9 per cent of the total freight business of the railroads.

In my opinion, the Treasury Department should leave to the rail companies the privilege of firing the first gun in a retaliatory war against the automobile. If the railroads want Federal intervention, let them ask for it. It ill befits the Treasury, however, to attempt to revive moth-eaten, discarded theories of rail-highway competition as an excuse for retaining a hang-over war tax on the automobile owner.

The third reason urged by the Treasury Department for retaining the war tax on passenger automobiles as a permanent source of peace-time revenue is that "the automobile is a semiluxury article of such widespread use that it furnishes a broad base on which to apply a low tax."

Just what a semiluxury is I do not precisely know. I hardly think it necessary, however, to offer detailed proof to this committee that the automobile has definitely emerged from the status of a luxury and now holds an unparalleled position of importance in the field of transportation.

In 1926 passenger automobiles traveled seven time more than the railroads. Is a product which has such a widespread use and renders such huge service to the public at large a luxury? Would Congress hold that the American people are so spendthrifty and improvident that 19,000,000 would invest \$15,600,000,000 in vehicles of transportation which are nonessential? The value of passenger automobiles alone represents 2 per cent of the national wealth, and, furthermore, it is estimated that 13,000,000 of the 19,000,000 owners have incomes of \$2,000 or less a year.

That the widespread use of the automobile furnishes a broad basis on which to apply a tax is unquestionably true. It furnishes no broader annual basis, however, than did the income levies before the reduction in 1926. But if it is desirable that articles of widespread use, which provide a broad basis for applying a low rate of tax, be retained in a permanent system of taxation, let me ask why the Treasury Department has previously recommended and Congress has acted on such recommendations to the extent that 43 classes of products once burdened with war excise taxes have been exempted?

The automobile tax is not comparable with any other tax now levied by the Federal Government except the tax on pistols, because these are the only special war excise taxes on manufactured articles now remaining. The automobile tax is a war-time levy, and should be repealed as a major item in the next tax-reduction program.—Extracts, see 5, p. 34.

# Should a Graduated Tax Bes Applied to Corporations?

Pro

HON. JOHN N. GARNER
U. S. Representative, Texas, Democrat



HON. WILLIAM R. GREEN
U. S. Representative, Iowa, Republican



HAVE talked with a great many Republicans and Democrats and I have not been able to find a single one who does not think that the smaller corporations with earnings of from \$15,000 or \$20,000 a year down ought to get some relief in their tax for several reasons, and especially for the reason that

in their business they are in competition with partnerships of similar capital and earnings. The Secretary of the Treasury, in his testimony before the committee, recommended that we adopt the policy of giving such corporations the alternative, where there were 19 stockholders or less, of making a return as a partnership or as a corporation. The committee gave that suggestion very extensive consideration, and if you will let your mind run along for a moment you will see that that plan is not workable, that a graduated tax will accomplish the same purpose in a better way than by permitting small corporations the alternative method of making returns.

This amendment provides that where a corporation has an income of \$10,000, or less, the rate of tax on it shall be 5 per cent instead of 111/2 per cent; that where a corporation has a \$15,000 income or less, but over \$10,000, the tax shall be 7 per cent instead of 111/2 per cent; and that where the income is over \$18,000 the 111/2 per cent shall apply just as it does in this bill. Therefore, the only change that this amendment makes is to give to the smaller corporations an advantage in a rate over larger corporations with larger incomes. There is no new principle involved at all. It is the same principle exactly as is applied to individual incomes. I heard the gentleman from Illinois (Mr. Chinbloom) say the other day that one corporation with a capital of \$100,000 might make only \$10,000, while another corporation with a capital of \$10,000 might make \$10,000 income, and that we would be treating both of them the same. So it is in this bill. The 111/2 per cent applies. It is said we ought to levy the tax on the valuation. We tried that on the excess profits and we made a failure of it.

I say frankly if you place the tax on the valuation, the capital investment, the excess-profits tax is the prettiest piece of taxation possible. But it was a failure, could not be administered because you could not ascertain the value of the corporations. We have had some experience with trying to value the railroads for the past 12 years, and we have not completed the valuation yet. I do not know whether you want to give the small corporations a larger amount of relief than the larger corporations, but the small corporations constitute 70 per cent. This amendment affects 70 per cent of the corporations in the United States, as I recall it. Around 70 per cent of the corporation of this country have an income of \$18,000 and less, so my amendment will reduce the corporation tax lower than proposed in this bill on 70 per cent of the corporations of the country.

Where you have an income—whether you have a billion dollars of capital stock invested or one dollar—my amendment will tax a corporation which has an income of \$15,000 W

E are presented in this amendment with an illogical and unjust method of remedying the differences between small and large corporations. So far as the justice of it is concerned, as soon as the corporation gets two or three dollars over the limit mentioned in the proposal the rate of taxation would

rise 50 per cent. I do not think the House wants any such gradation as that.

In this case we cannot apply the principle of graduated tax to corporations because it applies the principle of a graduated tax twice. Corporations are made up of individuals. We cannot grade the tax twice.

If we are going to apply the principle of graduated tax, we have got to go on up with it. There is no reason for stopping at \$15,000. I do not know upon what theory this proposition can be justified. It is not for the benefit of the small corporation alone, it is for the benefit as well of the large corporations; if the total amount of the net income for any particular year happens to go down to this sum it applies to the large corporation as well as to the small corporation. If you apply the system of graduated tax to corporations you have got to go on up with it. The proposition is illogical. What we want is a logical method which can be used and will not plague us in the future.

This is simply undertaking to apply a graded tax to corporations, which results in a double graduation of income, because the stockholders are subsequently taxed upon the dividends they receive from the corporation. Unfortunately this gradation has no logical basis, because it is not based upon the income of the stockholders.

The amendment offered by the gentleman from Texas and declared carried by the Chair, although I do not think it was carried myself—provides that if we should not have a very prosperous year there would not be a surplus but a deficit.—Extracts, see 6, p. 34.

Hon. CARL R. CHINDBLOM
U. S. Representative, Illinois, Republican



HIS is the first gun fired upon the integrity of this bill. From now on the advocates of this amendment will be making proposal after proposal by which eventually they hope to reach the \$400,000,000 tax reduction announced to the people this

fall that they were going to give them. This is the beginning of it. This amendment adds an item of \$24,000,000 to our tax reduction and is based upon a system and upon a theory which does not come to the House with a recommendation either of the Committee on Ways and Means or of any of the administrative officers of the Government. It comes here upon the motion of a very distinguished gentleman on the Democratic side, Mr. Garner, but I do not think he has thought it out quite sufficiently

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# Should the Estate Tax Be Repealed?

## Pro

CHARLES MCLEAN Former Federal Estate Tax Division Chief, District of Iowa



HE objection to the Federal estate tax may be stated in one word-inexpediency. Every purpose, worthy or unworthy, its supporters say they wish to accomplish could more readily, more certainly and more economically be served by better and simpler methods. Therefore, justice and expediency alike demand the law's repeal.

In 1925, for example, the number of Federal estate tax returns filed in a country with an estimated population of about 115,000,000 was 14,013, or only one for each 8,208 persons receiving the protection of this Government. The total estate tax paid was \$86,223,095, or an average of \$6,153 for each return. The average rate of tax calculated on the net estate for tax was \$5.32 per \$100 of value. The gross value of the estates involved was \$2,958,363,744 and the net value taxed was \$1,621,008,326.

Now, when we bear in mind that the wealth of the United States in 1925 was estimated at \$320,000,000,000, we will see that this law reached only half of 1 per cent of the wealth of the Nation, notwithstanding it was defended and urged as a means of equalizing fortune by compelling the rich to bear a larger share of the burdens of Government, and notwithstanding it classified as rich, and therefore able to bear special burdens, all estates of decedents having a net value of \$50,000 or over. For the law at that time applied to all estates of decedents having such value, although the amendment of February 26, 1926, raised the specific exemption of \$100,000 and thereby reduced far below 14,013 the number of returns filed in a year.

As respects efficiency, let us contrast the income and the estate tax laws. In 1926 corporations paid \$1,094,979,734 and individuals \$879,124,407 Federal income tax, a total of \$1,974,104,141. Collections of estate and gift tax reached \$119,216,374.

Passing over the question of whether the Government was instituted to protect the individual in person, property, and reputation or merely to equalize fortune by confiscating the estates of the dead in whole or in part, we find that the estate and gift taxes in 1926 yielded only 6 per cent of the revenue produced by the income tax.

We further find that in 1924 income-tax returns were filed by 7,369,788 persons, or by 6.56 per cent of the population, against a return of estate tax for each 8,206 persons. We find that in 1923 individuals disclosed personal net income of \$26,336,337,843, a light showing by comparison with 1920. If we grant for the moment that the confiscation of private property for the purpose of equalizing fortune is a legitimate purpose of Government, we yet find that the Federal estate tax law as a means of accomplishing this purpose is a failure. This is shown by the fact that the receipts therefrom in 1925, \$86,223,095, represented less than fourtenths of 1 per cent of the personal income returned in 1923 and less than 30 cents out of each \$1,000 of wealth in the country in 1925.

Continued on next page

WILLIAM C. ROBERTS Chairman, Legislation Committee, American Federation of Labor



T is the belief of the American Federation of Labor that the only just form of taxing great wealth is through the estate tax, as there is no question of the ability to pay. And it cannot be denied that in many cases the owners of large fortunes fail during their lifetime to pay their fair proportion of

Because of that it makes the estate tax a fair tax. Besides, it is a direct tax.

In 1906 the American Federation of Labor unanimously declared for "an inheritance tax that would increase with the inheritance." In 1918 it approved the levying of taxes on "war profits and swollen incomes." In 1919 it declared that there should be provided a "progressive increase in taxes upon incomes and inheritances," and in 1921 it demanded "that the Government promptly levy a rapidly progressive tax upon large estates." This was reiterated in 1922.

You have been told by Mr. Mellon that 97.8 per cent of the population pay no Federal income taxes whatever. Nevertheless, the 2.2 per cent who pay Federal taxes had previously passed them on to the 97.8 per cent in whole or in great part. But the estate tax cannot be passed on.

During the war the American Federation of Labor approved of all taxation laws enacted, as the only thought was to win the war, no matter what the sacrifice. It has not asked for any reduction of taxes that bear upon those least able to bear them. In fact, the American Federation of Labor contended during the war and since that all the war taxes should be retained until the cost of the war had been paid.

Those who favor the repeal of the Federal estate tax insist on the retention of what are termed "nuisance" otherwise sales or buyers' taxes. The argument is that the estate tax was a war emergency tax. The "nuisance" taxes also were war emergency taxes. The estate tax is more easily paid by the few than is the "nuisance" taxes by the many.

Those who accumulate fortunes great enough that their estates pay the Federal tax obtain their wealth through the good will of the whole American people. And good will has been declared by the Supreme Court to be property. If the accumulators of great fortunes have a property right in the patronage of the people, it is not more than right that they pay for that good will in an estate tax. Besides, all the forces of Government are freely given to the protection of these fortunes both before the death of the owners and after they have been passed on to the heirs.

There is nothing more dangerous to our country, than the accumulation of enormous wealth in the hands of a few. The estate tax results in its distribution for the benefit of the whole people.

Legacies received by the heirs of great estates have been justly called unearned income, for few of the heirs had anything to do with their accumulation.

Who is more entitled to a share of such fortunes than the people who made them possible? Few, if any, of the heirs

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## Pro\_Continued

#### CHARLES McLEAN—continued

It may be suggested that higher rates would promote the efficiency of the Federal estate tax as an instrument for equalizing fortune. Such a presumption would not be warranted by experience. This shows that estate-tax rates considered excessive by those at whom they are aimed promote evasion. Men will trustee their property or transfer it to their kindred rather than submit their estates to taxation they consider extortionate. It is a familiar fact that transfers for the purpose of avoiding death duties are very common at present time, especially if the estate in the absence of such transfers would be subject to taxation in the higher brackets.

A cardinal purpose of the Federal estate tax law is the coercion of the States by the Federal Government. This the supporters of the law avow when they defend it as necessary to prevent States from repealing their inheritance tax laws by way of attracting wealthy citizens from other States.

This is not the fact. If a citizen of Iowa moves to Florida, taking with him his Iowa farm mortgages and stock of Iowa corporations, and dies there, the mortgages and stocks become taxable in Iowa under her inheritance tax law, because the property in which these instruments represent equities is within the jurisdiction of Iowa. Florida's purpose in providing in her organic law against a State tax on inheritance was to induce residents of other States to transfer not merely their citizenship but also their investments to Florida. In pursuing this policy it does not make the inheritance tax laws of other States ineffective, and the plea that the Federal Government had to interfere to preserve these State laws from destruction or against evasion is unfounded in fact.

In the absence of a Federal estate tax law, the estate of a citizen of Florida would not be subject to inheritance taxes on tax-exempt securities, such as municipal, county, State, and school bonds, and some Liberty bonds. But this is not of sufficient practical importance to warrant Federal intervention.

The market value of tax-exempt securities is due in part to the facility with which they may be passed from hand to hand for the purpose of escaping death duties. No shifting of legal residence to Florida or elsewhere is required. As a device for subjecting tax-exempt securities to taxation the Federal estate law is grossly inefficient.

However, if coercion of the States by the Federal Government is the object sought, we may accomplish it more thoroughly by amending the Federal income tax law than by perpetuating the estate tax law. A Federal income tax law allowing offsets for income taxes paid the States would be more efficient than the Federal estate tax law as a device for equalizing fortune, because it would compel all the States to establish State income taxes and would reach millions, while the estate tax touches only a few thousands.

It is a familiar statement, but a true one, that the expenditures of Congress should be limited to the needs of the Government economically administered. The corollary is that Federal revenues should be limited to the needs of the Federal Government and Federal taxation to these requirements. To impose such taxation for the purpose of controlling the revenue policies of the States is violent usurpation in direct conflict with the theory upon which our dual form of Government rests. Such usurpation can not be tolerated long without inviting further aggression upon the sovereignty of the States and ultimately the complete destruction of their independence by a centralized government such as America has never known and could not welcome with traditional respect for the liberty of her citizens.—Extracts, see 5, p. 34.

## Con-Continued

#### WILLIAM C. ROBERTS-continued

of these estates had anything to do with their accumulation. It is what might be called a "windfall" for them. Although these legacies came without effort on their part, they are among the persons who are crying for a repeal of the estate tax law as well as the State inheritance taxes.

Dr. Thomas S. Adams, the famous authority on taxation and formerly financial adviser for the United States Government, declared "That if we must tax it is better to tax him who merely receives than him who earns."

It should be the American policy to demand that this tax be levied to prevent in the future the perpetuation and further accumulation of immense fortunes in the hands of those who did little, if anything, to create them.

Theodore Roosevelt, in a message to Congress, in December, 1907, said:

"A heavy progressive tax upon a very large fortune is in no way such a tax upon thrift and industry as a like tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes that would be affected by such a tax."

Organized labor has no quarrel with those who honestly accumulate great wealth, but it does insist by all that is fair and right that at death a just portion of those fortunes should go to the people who helped to accumulate them and to the States to prevent them from growing larger and larger and becoming too dangerous to the welfare of our Republic. The power that could be exercised by their owners might be disastrous.

If the Federal estate tax is abolished, it would create intensive competition between the States that do not collect an inheritance tax to induce rich men to locate in them. It would encourage States with inheritance tax laws to repeal them for the same purpose for self-protection.

Organizations have been formed by professional lobbyists to fight all inheritance taxes, and there is no doubt that if the Federal estate tax is repealed their efforts will be continued to repeal all State inheritance tax laws.

I heard an insurance actuary one day say that more than 80 per cent of the people who died did not leave a dime. Nevertheless, everything they bought while alive went to pay some of the taxes of those who accumulated great fortunes in financial or commercial life. What labor fears is that taxes will be gradually taken off of the well-to-do and finally placed through a consumption tax upon those least able to bear them.

Estate taxes should not be considered war measures. They are becoming a permanent tax in many countries and should be continued permanently in the United States. There is no other tax that is more directly levied or is easier to pay,

The statement of the Secretary of the Treasury that less than three-tenths of 1 per cent of our population paid 95.5 per cent of our total income tax should warn us that wealth is getting into fewer and fewer hands. It is also an argument that a portion of those great fortunes should be given back to the people who helped to accumulate them, to conduct the affairs of Government, which did so much to protect the interest of the owners.

The American Federation of Labor insists that the welfare of our Government demands that the estate tax be made a permanent feature of our taxation system.—Extracts, see 5,

## Pro\_Continued

### U. S. DEPARTMENT OF THE TREASURY

Continued from page 19
must affect tax receipts for the last half of the fiscal year

1928 and the first half of the fiscal year 1929.

Detailed figures have been submitted to the Ways and Means Committee. If the Chamber of Commerce will point out to me in what respects these figures are inaccurate, either in the case of estimated receipts or of estimated expenditures, I shall welcome their criticism. They were prepared after studies made independently by three experts having access to all of the facts. The estimates for 1929 as finally submitted to the Committee exceeded the average of the estimates of these individual experts by over \$45,000,000. I mention this in order to disprove the charge that has been made that the Treasury deliberately errs on the side of conservatism.

Finally let me take serious exception to the statement in the report that "there would be no great cause for alarm even though a deficit should, through unexpected developments, arise in any year." For the United States Government to borrow to pay for current expenditures would in my judgment be inexcusable. A balanced budget is an essential element of any sound fiscal system, and, as long as I am Secretary, the Treasury Department will resist the undermining of this principle and will continue to advocate a tax system adequate to produce every year the revenues necessary to meet current expenditures.—Extracts, see 3, p. 34.

#### Hon. John N. Garner Continued from page 22

and less, down to \$12,000, 9 per cent, and from \$12,000 down to \$7,000, 7 per cent. Anything less than \$7,000

would pay 5 per cent.

I do not know whether you want to invoke the same rule of equity, the same rule of justice, in reference to corporations you do in reference to individuals—give the little fellow a little the best of it. Take the man of \$10,000 and less of income. We do not levy any surtax on him at all. The highest tax is 5 per cent. If it is a just system and equitable in regard to individuals, if it has worked well, why not apply it to small corporations? I am going to listen for that answer with some interest. The principle is the

for that answer with some interest. The principle is the same; it is not faulty in principle. It is a mere question of method.

My amendment has this advantage over the present law:

Suppose a corporation is doing business across the street from a partnership. If both of them make \$10,000, both of them would pay 5 per cent under my provision. Under the present law it is 13½ per cent and 11½ per cent in this bill on the corporation, and 5 per cent on the partnership. Under my amendment any corporation having an income of \$10,000 or less would pay 5 per cent. Any individual or partnership would pay about 4 per cent plus.

The partnership just across the street that has \$15,000 income would pay about 5½ per cent under my amendment; a corporation that has \$15,000 income or less but over \$10,000 would be taxed 7 per cent, but in the original bill

it would pay 11½ per cent.

But I say, if you desire to give any consideration to the small corporation as compared with the large corporation, if you want partially to equalize the partnership and the corporation, this is a step in that direction. No harm is done and no principle is violated.—Extracts, see 6, p. 34.

# Con-Continued Chamber of Commerce of the U. S.

Continued from page 19
Government revenues are plentiful and surpluses constantly in sight, numerous schemes will undoubtedly be advocated which will require additional appropriations. For the ordinary running expenses of the Government there appears no reason for any material increase in appropriations, and all other schemes which will place a fiscal burden on the Government and on the taxpayers should be rigorously examined and excluded should their necessity or essential value not be clearly apparent.

Our present internal revenue system is a war creation formulated when the prime requisite was to raise revenues rather than to develop an equitable or simplified tax system. Later Congresses have added to or subtracted from this war statute and no attempt was made to survey the situation as a whole or to simplify or systematize. As the result of the origin and evolutionary growth of our revenue system, there has arisen a multitude of questions which demanded attention. There is need of a thorough study of the entire situation with a view of coordinating and systematizing.—Extracts, see 4, p. 34.

#### Hon. Carl R. Chindbloom Continued from page 22

to give us any guaranty as to whether it is going to work out equitably and fairly to the corporations which are involved or not. But it does mean \$24,000,000 on reductions, and to that extent will emasculate the bill.

That gentleman's specious argument in favor of this thing is that he is doing something in the interest of the small corporations. I think I may say, without violating the ethics of the procedure before the Ways and Means Committee, that the committee considered this matter. We discussed it very thoroughly, and the committee, of course, did not make this recommendation. It was the desire of the committee to do something in the interest of the small corporation. But I do not know why Members so generally seem to forget that, after all, a corporation is nothing but individuals. They talk about corporations as if the corporation was some entity outside of the people who own the stock of the corporation. They speak about a corporation on the one hand and a partnership on the other. A corporation is nothing but stockholders, and it is the individuals who compose the corporation who are, of course, concerned in the amount of taxation. Theoretically the tax is collected from the corporation, but it is the individual stockholder who pays it, and the individual stockholder pays it whether he is in business as an individual or as a stockholder in a corporaton.

The gentleman tells you he applies his 9 per cent rate upon a corporation having an income of \$12,000 and not more than \$15,000. As a matter of fact that corporation has an income of \$18,000, because he provides in the beginning of his amendment that—

"If the amount of the net income is in excess of the credits provided in section 26—"

Is not more than so and so, and section 26 provides for the \$3000 exemption to be given to corporations which have incomes of \$25,000 or less.

The proposal of the Treasury Department was that a corporation might make its return as a partnership if it saw fit to do so. It left the privilege, the option, and the choice to the corporation to file as a partnership if that method happened to bring it a lesser tax.

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# EXECUTIVE DEPARTMENT :

## The White House Calendar

November 20th to December 20th

#### Addresses

December 2—Address of the President at the dedication of the New Mexico Stone in the Washington Monument, Washington, D. C.

December 6-Address of the President to the Republican National Committee, Washington, D. C.

#### Important Messages to Congress

December 6-Annual Message of the President to Congress, Washington, D. C.

December 7—Message of the President, transmitting the Budget for the fiscal year ending June 30, 1929. In addition to the Budget, the President transmits to Congress the annual reports of the Cabinet offices for the ten Executive Departments and the reports of sixteen independent bureaus, commissions, etc.

#### Important Civilian Appointments

November 18-Edward anks of Kentucky, to be member of the Federal Board of Vocational Education.

November 22-Noble Brandon Judoh of Illinois, to be Ambassador Extraordinary and Minister Plenipotentiary to Cuba

December 6-John T. Barrett of Massachusetts, to be United States Marshal of the Canal Zone.

December 12-Albert H. Denton of Kansas, to be a member of the United States Shipping Board.

December 12—G. Wallace Hanger of the District of Columbia, to be a member of the United States Board of Mediation.

December 13—Henry L. Stimson of New York, to be Governor General of the Philippine Islands.

December 13—George T. McDermott of Kansas, to be United States District Judge, District of Kansas.

December 19—John Jacob Esch of Wisconsin, to be a member of the Interstate Commerce Commission (reappointment).

#### Important Bills Signed.

December 14—H. R. 3190—An Act authorizing the President of the United States to present in the name of Congress a medal of honor to Col. Charles A. Lindbergh.

#### Proclamations

A PRESIDENTIAL proclamation is a document signed and issued by the President for the purpose of making public certain actions of the Government. Many of the laws passed by Congress carry the specific provision that the President shall issue a proclamation putting them into effect. Treaties with foreign nations carry a provision to that effect. The Senate of the United States sometimes ratifies a treaty before it has been ratified by the other nation party to it. The Senate resolution of ratification provides that the treaty shall go into effect upon proclamation by the President of

the United States. Presidential proclamations for the annual observance of Thanksgiving Day and other national holidays and days of observance are specifically provided for by statute.

December 3—A proclamation increasing the duty on cherries, sulphured or in brine, from 2 to 3 cents per pound.

December 6—A proclamation setting aside 250 acres in Lewis County, Tennessee, as an addition to the Meriwether Lewis National Monument grounds.

#### Executive Orders

UNDER the authority given him by the Constitution of the United States, as Chief executive officer of Government, the President is empowered to set aside various departmental rules and regulation by executive orders.

For example he may, as Commander-in-Chief of the armed forces, issue an executive order promoting or demoting an officer of the Army, Navy or Marine Corps without considering established Military regulations or practices. The executive order when issued by the President, supercedes all routine methods of procedure as may have been set up for the conduct of business in the executive departments of the Government.

November 19—An executive order reserving certain lands and buildings in the abandoned military reservation at Fort St. Michael, Alaska, for use of the Alaska Road Commission.

November 23—An executive order extending for ten years the duration of the trust period on certain lands of the Mission Indians in California.

November 25 — An executive order designating Judge James W. Blackburn to act as special judge for the Canal Zone.

November 26—An executive order establishing Lagos, Nigeria, as an unhealthful post for purposes of retirement within the meaning of the Foreign Service Act.

November 29—An executive order putting into effect the revision of the Manual for Courts Martial, effective April 1, 1928.

November 29—An executive order withdrawing for classification all unreserved rocks and pinnacles situated in the Pacific Ocean off the Coast of Oregon.

December 1—An executive order extending for ten years the period of trust on allotments made to Indians on the Devils Lake Reservation, North Dakota.

December 3—An executive order establishing as national forest certain areas in the military reservations of Fort Benning, Ga., Fort Eustis, Va., Camp Meade, Md., and Pine Plaines, N. Y.

December 5-An executive order reserving two tracts in Alaska for educational purposes by the Bureau of Education.

December 17—An executive order withdrawing, for use as a rifle range by the Arizona National Guard, certain lands in Arizona.

December 17—An executive order authorizing Ephraim P. Morgan, solicitor, to act as Secretary of Commerce during the absence of the Secretary and Assistant Secretaries.

# Uncle Sam's Book Shelf



NCLE SAM'S bookshelf is filled with best sellers. perhaps not of light reading, but of record breaking circulation.

The Government Printing Office stocks this shelf which would extend countless miles by means of a force of about 4000 employees and an annual cost of operation approximating \$12,000,000.

The Public Printer is the world's largest bookseller. He distributes 60,000,000 publications yearly and maintains a stock of 30,000,000, which includes almost every subject of human interest.

On the morning of each legislative day of Congress printed copies of all proceedings incidental to the previous day's sessions are on the desks of the members. This includes bills, resolutions, reports, hearings, documents, etc., and the Congressional Record. The Record consists of from 8 to 192 or more pages, averaging about 80 pages, and 33,600 copies are printed daily. It made 12 volumes of over 1000 pages each in 1926, and cost \$478,736.

One billion six hundred million postal cards are printed yearly and delivered direct to postal agencies.

Over 320,000,000 money orders, each having a potential value of \$100, were printed in one year. Not a single money order has been lost or stolen during the 20 years this office has done the work.

In six months of one year 11,000,000 Farmers' Bulletins, varying in size from 16 to 100 pages, were folded, gathered, stitched, and trimmed.

The annual reports of all the government departments are printed here. 2500 to 5000 copies, varying in size from 16 to 1000 pages each, are printed.

There are some 50 current publications—that is, daily, weekly, or monthly—published in the Government Printing

Among the large jobs of bound volumes are the Agriculture Yearbook, amounting to 400,000 copies; the Postal guide, approximating 80,000 copies, and that remarkable vol-ume, "The Code of Laws of the United States," a book confining all the laws of our government in 2500 pages and selling for the amazingly low figure of \$4.00.

Briefs for the various courts in Washington, the Patent Office and other departments and commissions handling legal affairs are among the year's output.

All these and many other publications are handled economically and efficiently by a well planned schedule, which carefully allots the government printing, preventing undue rush or slack periods.

## A Selected List of the Printed Matter Issued by the Federal Government During the Month

Alfalfa Cultivation

"Observations on Some Alfalfa Root Troubles;" by J. L. Weimer. (Agriculture Circular 425.) Price, 5 cents. Covers collar rot, heart rot, hollow crown, other troubles, and sum-

Crop Statistics

"Miscellaneous Agricultural Statistics." (Agriculture Yearbook, Separate 937.) Price, 10 cents. Covers crop summary, crop acreages, index numbers of crop production, crop values, acreage, principal crops, returns from farming, etc. "Statistics of Field Crops other than Grains." (Agriculture Yearbook, Separate 934.) Price, 15 cents. Covers beans, soybeans, cowpeas, broomcorn, etc.

Decisions Affecting Labor, Public Lands, Customs, and Federal Trade

"Decisions of Courts and Opinions Affecting Labor, 1926." (Labor Bulletin 444.) Price, 45 cents. Covers introduction, opinions of the Attorney General, and decisions of courts, affect-

ing labor.

"Treasury Decisions under Customs and other Laws, Vol 51,
January-June, 1927." (Treasury Department.) Price, \$2.25.

"Decisions of the Department of the Interior in Cases Relating to the Public Lands, Vol. 51, January 1, 1925, to December 31, 1926." (Interior Department.) Price, \$2.00.

"Federal Trade Commission Decisions, Vol. 8, Findings and Orders of Federal Trade Commission, July 21, 1924, to March 22, 1925." Price, \$1.75.

Department of Agriculture

"Cooperative Extension Work, 1925." (Department of Agriculture.) Price, 25 cents. Covers funds and staff, principal developments, methods employed, etc.
"List of Technical Workers in the Department of Agriculture, and Outline of Functions of Major Branches of the Department, 1927." (Agriculture Miscellaneous Publication 5.) Price,

"Census of Dyes and other Synthetic Organic Chemicals, 1926." (Tariff Commission.) Price, 30 cents. Covers summary of dyes and other synthetic organic chemicals, 1926, production of dyes and coal-tar chemicals, dyes imported for consumption in United States, etc.

"Laboratory Layouts for the High-School Sciences"; by A. C. Monahan. (Education Bulletin, 1927, No. 22.) Price, 10 cents. Covers developments in laboratories of high-school sciences, number of laboratories needed, waste in laboratory space, what rooms are necessary for science classes, etc.

"Physical Education in American Colleges and Universities;" by Marie M. Ready. (Education Bulletin 1927, No. 14.) Price, 10 cents. Covers requirements relative to physical condition of students at entrance, required work in physical education, military training, hygiene, athletics, etc.

"Industrial Education in 1924-1926;" by Maris M. Proffitt. (Education Bulletin 1927, No. 29.) Price, 5 cents. Covers the field of industrial education, manual arts in the senior high school, manual arts in junior high school, etc.

"Pension Systems for Public School Teachers;" by Nida Pearl Palmer. (Education Bulletin 1927, No. 23.) Price, 15 cents. Covers classification and administration of public school teachers' pension systems, the financing of teachers' pension systems, the teachers' contribution policies and tendencies, 1894-1924, etc.

"Annual Report of the Board of Regents of the Smithsonian Institution, Showing the Operations, Expenditures, and Con-dition of the Institution for the Year Ending, June 30, 1926." Price, \$1.75.

"Playgrounds of the Nation;" by Florence C. Fox. (Educa-tion Bulletin 1927 No. 20.) Price, 35 cents. Covers lessons in civics, State parks and forests as sanctuaries, conservation of forests, lessons in geography, etc.

Foreign Markets

"Advertising Automotive Products in Latin America;" by J. A. G. Pennington. (Trade Information Bulletin 510.) Price, 10 cents. Covers the automobile in Latin America, basic factors, advertising mediums. etc.

"Electrical Development and Guide to Marketing of Electrical Equipment in Peru." (Trade Information Bulletin 508.)
Price, 10 cents. Covers political divisions, ports and shipping, transportation and communication, etc.

"Electrical Development and Guide to Marketing of Electrical Equipment in Colombia and Venezuela." (Trade Information)

Continued on page 32

# JUDICIAL DEPARTMENT 30.

Chief Justice of the United States-Hon. WILLIAM HOWARD TAPT.

Associate Justices of the Supreme Court of the United States

Hon. Oliver Wendell Holmes, Hon. Willis Van Devanter,

HON. JAMES CLARK MCREYNOLDS, HON. LOUIS DEMBITZ BRANDEIS, HON. GEORGE SUTHERLAND,

HON. PIERCE BUTLER,

Hon. Edward Terry Sanford,

HON. HARLAN FISKE STONE.

## The Month in the Supreme Court November 20th to December 20th



HE Court entered its second recess since the opening of the October 1927 Term on December 12 and will reconvene on January 3. The first recess was from October 31 to November 21. These periods are devoted to the writing of opinions.

cases on the docket, including 295 which were left over from the last term. Between October 4 and November 21 the Court disposed of 320 cases.

There have been several cases of special interest to the public since the December issue of the Congressional Digest.

Two cases over which it has original jurisdiction have been before the Court. The Constitution provides that, "In all Cases . . . in which a State shall be a Party, the Supreme Court shall have original Jurisdiction."

The usual procedure in such cases is for the Court to appoint a special master, who hears the witnesses, reads the masses of evidence, forms conclusions of law, and makes recommendations for the decree, which the Court hands down. The expenses and reasonable compensation of the special master and his stenographic and clerical assistants, and the cost of printing his report is charged against and borne by the litigants in such proportions as the Court directs.

After receiving the report of Special Master Charles Warren, appointed under common law to hear the evidence in the case and make recommendations for the decree, the Supreme Court handed down a decision on the boundary dispute between the States of New Mexico and Texas.

The report of Special Master Charles Evans Hughes on the Great Lakes Water Diversion controversy has been given to the Court for decision to be rendered after the Christmas recess. The litigants may present objections to the report of Mr. Hughes until January third. (Conclusions cited below.)

The decision handed down by the Court on the gift tax case is of importance both because of the decision itself and because the justices were divided, four to four, in their opinions. Their conclusions were the same, the plaintiff being entitled to recover the taxes paid, but they were reached by different routes of reasoning. (Case reviewed below.)

#### Report on the Great Lakes Water Diversion Controversy

NOTE: The States on the Great Lakes brought suit against the State of Illinois and the Sanitary District of Chicago in which it was alleged that the diversion at Chicago of water from Lake Michigan had lowered the mean level of the Lakes and connecting waterways to the detriment of lake shipping. The Sanitary District of Chicago and the intervening defendants, the Mississippi River States, who in addition stressed the point that the diversion of water from Lake Michigan improved the navigation of the river and was an aid to the commerce of the valley, answered that the lowering of the mean level did not and would not exceed four and three-quarters inches. The State of Illinois denied that the mean level of these waters had been lowered to any extent greater than that which would exist in the absence of such diversion. (For a review of the Chicago Mater Diversion Problem see the Congressional Digest for January, 1927.)

The Cases—No. 7, Original. State of Wisconsin, State of Minnesota, State of Ohio, and State of Pennsylvania, Complainants, vs. State of Illinois and Sanitary District of Chicago, Defendants. State of Missouri, State of Kentucky,

State of Tennessee, State of Louisiana, State of Mississippi and State of Arkansas, Intervening Defendants.

No. 11. Original. State of Michigan, Complainant, vs. State of Illinois and Sanitary District of Chicago, Defendants.

No. 12. Original. State of New York, Complainant, vs. State of Illinois and Sanitary District of Chicago, Defendants.

Conclusions of the Special Master

1. That the complainants present a justifiable controversy.

2. That the State of Illinois and the Sanitary District of Chicago have no authority to make or continue the diversion in question without the consent of the United States.

3. That Congress has power to regulate the diversion, that is, to determine whether and to what extent it should be permitted.

4. That Congress has not directly authorized the diversion in question.

5. That Congress has conferred authority upon the Secr-

tary of War to regulate the diversion, provided he acts in reasonable relation to the purpose of his delegated authority and not arbitrarily.

That the permit of March 3, 1925, is valid and effective according to its terms, the entire control of the diversion remaining with Congress.

Recommendations for Decree

In the light of these conclusions, the bill, in my opinion, should be dismissed. I think, however, that if a situation should develop in which the defendants were seeking to

create or continue a withdrawal of water from Lake Michigan without the sanction of Congress or of administrative officers acting under its authority, the complainant States have such an interest as would entitle them to bring a bill to restrain such action.

I, therefore, recommend that the bill be dismissed without prejudice to the right of the complainants to institute suit to prevent a diversion of water from Lake Michigan in case such diversion is made or attempted without authority of

#### The Gifts Tax Decision

The Case—No. 154. John W. Blodgett vs. Charles Holden, Collector of Internal Revenue. On certificate from the United States Circuit Court of Appeals for the Sixth Circuit.

The Decision-The Court decreed that the plaintiff was entitled to recover the taxes paid in respect of gifts made

before the statute went in effect.

The Question—"Are the provisions of Sec. 319-324 of the Revenue Act of 1924, c. 234, 43 Stat. 313, unconstitutional in so far as they impose and levy a tax upon transfers of property by gifts inter vivos, not made in contemplation of death, and made prior to June 2, 1924, on which date the Act was approved, because the same is a direct tax and unapportioned, or because it takes property without due process, or for public use without just compensation, in violation of the Fifth Amendment."

The Opinion-Mr. Justice McReynolds delivered the opinion of the Court which is given in part below:

"During the calendar year 1924, and prior to June 2 plaintiff Blodgett, a resident of the United States, transferred by gifts inter vivos, and not in contemplation of death, property valued at more than \$850,000; after June 2 he made other gifts valued at \$6,500. The collecter exacted of him the tax prescribed by the Act of 1924, as amended, on such transfers and this suit seeks recovery of the sum so paid. The claim is that the Taxing Act, if applicable in the circumstances stated, conflicts with the Fifth Amendment.

"At the argument here counsel for Blodgett affirmed that all the transfers prior to June 2 were really made during the month of January; and the accuracy of this statement was not questioned. Under the circumstances, we will treat this affirmation as if it were part of the recital of facts by the

court below.

"The brief in behalf of the Collector sets out the legislative history of the gift tax provisions in the Revenue Act of 1924 and shows that they were not presented for the consideration of Congress prior to February 25 of that year. We must, therefore, determine whether Congress had power to impose a charge upon the donor because of gifts fully consummated before such provisions came before it.

"In Nichols v. Coolidge (May 31, 1926) this Court pointed out that a statute purporting to lay a tax may be so arbitrary and capricious that its enforcement would amount to deprivation of property without due process of law within the inhibition of the Fifth Amendment. As to the gifts which Blodgett made during January, 1924, we think the challenged enactment is arbitrary and for that reason invalid. It seems wholly unreasonable that one who, in entire good faith and without the slightest premonition of such consequence, made absolute disposition of his property by gifts should thereafter be required to pay a charge for so doing.

"Determination of the cause does not require us to consider other objections to the Statute which have been advanced. And it is unnecessary to express an opinion concerning the

validity of the Statute as to transfers subsequent to June 2. Here, all such gifts were within the exemption granted.

"So far as the Revenue Act of 1924 undertakes to impose a tax because of the gifts made during January, 1924, it is arbitrary and invalid under the due process clause of the Fifth Amendment. And the question is so answered."—Extracts.

Mr. Justice Holmes delivered the opinion in which Mr. Justice Brandeis, Mr. Justice Sanford and Mr. Justice Stone

concurred, which is given in part below:

"Although research has shown and practice has established the futility of the charge that it was a usurpation when this Court undertook to declare an Act of Congress unconstitutional, I suppose that we all agree that to do so is the gravest and most delicate duty that this Court is called on to perform. Upon this among other considerations the rule is settled that as between two possible interpretations of a statute, by one of which it would be unconstitutional and by the other valid, our plain duty is to adopt that which will save the Act. Even to avoid a serious doubt the rule is the same. Words have been strained more than they need to be strained here in order to avoid that doubt. . . . "By § 319 of the Revenue Act of 1924 (June 2, 1924, c.

234; 43 Stat. 253, 313) a tax is laid on gifts 'for the calendar year 1924 and each calendar year thereafter.' In the Code the words are 'during any calendar year,' Title 26, § 1131. The latter phrase brings out what I should think was obvious without its aid, that the purpose is a general one to indicate the periods to be regarded, as distinguished from fiscal years, not necessarily to run counter to the usual understanding that statutes direct themselves to future not to past transactions. . . . If when the statute was passed it had been well recognized that Congress had no power to tax past gifts I think that we should have no trouble in reading the Act as meant to operate only from its date and only to tax gifts thereafter made. If I am right, we should read it in that way now. By § 324 (a) of the Revenue Act of 1926, (February 26, 1926, c. 27; 44 Stat. 9, 86,) § 319 of the Act of 1924 is amended and the rates of taxation are reduced, and then by (b) it is provided that 'subdivision (a) of this section shall take effect as of June 2, 1924, the date when the earlier act was passed. A reasonable interpretation is that the reduction and the tax operate alike on gifts after that date. Taking both statutes into account, and the principles of construction to which I have referred, I think it tolerably plain that the Act should be read as referring only to transactions taking place after it was passed, when to dis-regard the rule 'would be to impose an unexpected liability that if known might have induced those concerned to avoid it and to use their money in other ways.'

"On the general question whether there is power to tax gifts I express no opinion now. I agree with the result that the plaintiff is entitled to recover the taxes paid in respect of gifts made before the statute went into effect."—Extracts.

# Press Gallery Postscripts



EW persons seem to remember that when Col. Charles A. Lindbergh by invitation recently ap-peared on the floor of the House to receive probably the greatest ovation ever accorded any individual by that body, and to see pass the lgislation awarding him the Congressional Medal of Honor,

he was on familiar ground.

When a lad-and he is still just in his twenties-Charlie Lindbergh appeared from day to day upon the House floor to sit near his father, the late Representative Charles A. Lindbergh, of Minnesota. Oldtimers about the capitol, like Joe Sinnott, former House doorkeeper and now minority party official, recall all this but most folks do not know it.

"Lindy was just a little fellow then," says Mr. Sinnott. "He was devoted to his father and used to play about the corridors or come in upon the House floor to be with his

Of course, young Lindbergh never dreamed then that some day the entire House, as well as the nation, would pay homage to him as the most brave and daring aviator of all time and that the Speaker of the House would introduce him as "America's most attractive citizen." As said by Chairman Snell, of the Rules Committee, Congress gave Lindbergh the highest recognition it could bestow when it awarded the Congressional Medal of Honor.

The late Representative Lindbergh was a "lone eagle" in his survey of politics and legislation, as his son has become the "lone eagle" of the air. The elder Lindbergh kept much to himself. He steered an absolutely independent course in

the House, where he served from 1907 to 1917.

Incidentally, the then Minnesota member had an autobiography of less than one line in the Congressional Directory. It read:

"Charles A. Lindbergh, Republican, Little Falls." So perhaps the "Lindy" of today inherited some of the modesty and shyness he has exhibited since becoming a

NOT for many years, if ever, will radio fans be able to "listen in" on proceedings of the United States Senate. Not only would the cost of installing the system be excessive, but the placing of a loud speaker over the head of every one of the 96 Senators would produce "singing voices" in the Senate Chamber which would cause confusion. Senator Howell (R) of Nebraska introduced a resolution several years and for an investification of the possibilities of

Senator Howell (R) of Nebraska introduced a resolution several years ago for an investigation of the possibilities of using Army and Navy apparatus for broadcasting Senate proceedings. The report, recently made, states that "the cost of installation would be \$3,000,000, while the annual upkeep would cost \$1,188,400, and that the proposal, therefore, is "impracticable."

Incidentally, the Senate has always steadfastly refused to accept the state of its experience as the state of the senate of the senat

national hero.

permit motion pictures of its sessions to be taken. The limited space in the galleries, from which the "shots" would have to be made, and the fact that if it were once started it would set a precedent that might, at times, interfere with the business of government, has prevented the Senate from granting any of the news reels or even historical film producers the much coveted and perennially sought after privi-

N each House of Congress there are two men-a quartet in all-who for years have unmercifully twitted and even assailed their adversaries in debate while the galleries were thrilled yet fearful of eventual personal combat.

In the Senate one sees in action those oratorical gladiators

Senator Jim Watson, standpat Republican of Indiana, and Senator Pat Harrison, old-fashioned Democrat of Mississippi. In the House Representative Nick Longworth of Ohio, Republican, and Representative Jack Garner of Texas, Democrat, have often been pitted against one another. Naturally the Garner and Longworth debates have been toned down since Nick became Speaker, but in the old halcyon days, and sometimes even now when Nick takes the floor, as a Speaker may, all is not quiet along the Potomac.

Pages of the past Congressional Records, described sometimes as a dull document, are replete with interchanges, which still go on, between Senator Pat and Senator Jim. They hurl political challenges across the aisle, predict the destruction or perpetuity of the Republic, and blame each other's party for all the ills of the national body politic. Afterward they get together, slap one another upon the back in the cloakrooms or corridors, and warmly congratulate each

other, and exchange cigars.

A T 4 o'clock on a recent Sunday afternoon "Dick" Gervis, head of the Secret Service staff of the White House, on duty in the Executive Office Building, was notified by telephone from the White House, fifty yards away, that the President was starting out for a walk.

Gervis caught up with the President half way out of the

Gervis caught up with the Fresident hair way out of the grounds. At the East Gate, on Pennsylvania avenue, the President paused, looked at the sky and turned back. "Looks like rain," he remarked.
"Oh! I don't think it's going to rain, Mr. President," said

Without reply the President walked back into the White

At 5 o'clock Gervis was again summoned to accompany

At 5 octock Cervis was again summerced to accompany
the President on a walk.
They strolled out of the White House grounds and turned
south between the White House and the Treasury, thence
around the Ellipse, back of the White House.
After they had walked some distance in silence the Presi
dent turned to Gervis and asked,
"Why?"

DURING the winter, when work is heavy and the weather sometimes disagreeable, members of the executive staff of the White House have an independent luncheon service in the basement of the Executive offices. Hearing of this recently, Mrs. Alvin T. Hert, of Kentucky, Vice-Chairman of the Republican National Committee, had sent up from her prize blue grass farm an enormous ham, had it prepared by her famous negro cook and sent it to the club with a liberal supply of her own farm butter and famous beaten biscuits.

When they had tasted the ham, the clerks at once made up a ham and beaten biscuit sandwich and took it upstairs to President Coolidge. The President took one bite and then promptly ate the whole sandwich.

"Notify the Executive whenever one of Sallie Hert's hams arrives," is now a standing rule of the lunch club. The hams come periodically, which is why a caller may sometimes be puzzled to see the President of the United States sitting at his desk munching a ham sandwich.

T HE Congressional Directory is a valuable, informative and entertaining document. At the beginning of each Congress there are found in it the autobiographies of new and old members of the Senate and House. The biennial issuance, to be followed from time to time by re-publications, is awaited by newspaper correspondents and oldtimers. They want to see what the "baby members" of Congress think and say of themselves. All sorts of boasts are found

when a new directory is issued.

However, some of the autobiographies are too modest and incomplete. They do not give a line on the experience or ability of the member. Others go into inconsequential details' and personal affairs.

"Is married and lives with his wife," proudly and gal-

lantly recorded an autobiographer not so long ago.

Another told of a new member who "married at a lawful age a native girl and is still married."

In a long account of his life and achievements from boy-

hood up a new member said of himself:

"He bears the reputation of being a very grateful man, never forgetting a kindness, and is faithful in his friendships and very reliable. He stands for the under man in life. Works hard late and early and is reflecting credit upon his country by his manly, conservative and wise course.

Congressional Directory readers of another issue were told of a member who " has always been a Democrat and taken great interest in party affairs, and especially in the welfare

and prosperity of his city."

References to lodge and fraternal affiliations are found throughout the average directory. One of the "jiners" set forth that he belonged to the following: Masons, Odd Fellows, Woodmen, Beta Theta Pi, Knights of Honor, Elks and Knights of Pythias.

It makes instructive and good reading—this Congressional Directory recording how 96 Senators and 435 Representa-

tives have moved up to public service.

THE Congressional Club of Washington, whose members are the wives of Senators and Representatives, has published a cook book which includes favorite recipes of Mrs. Coolidge, and of royalty in all parts of the world. The proceeds of the sales, which are running high, are for a clubhouse building fund.

The day after Senator Charles Curtie of Kanasa encoursed.

The day after Senator Charles Curtis of Kansas ann himself a candidate for the Republican nomination for President, a colleague approached him. "Charlie," the fellow-Senator said, "you are a smart politician and I'll bet you are sending one of those cook books to every woman in

are sending one of those cook books to every woman in Kansas."

"Not me," replied the leader of the Republican forces in the Senate. "No smart politician would do that. Years ago I was campaigning in Kansas with a young man who was candidate for a county office. We stopped at a certain town and were given dinner at the house of a woman famous for her cooking. After dinner this young candidate, this very young candidate, told the lady of the house he was going to send her a famous new cook book. I tried to kick his shins under the table, but was too late.

"As we drove away I told him he had lost three votes in that town—those of our hostess, her husband and her brother, who lived at the house. We kidded him so much that the next week he insisted that we go back to the town and have supper at the same house. We did and our hostess threw the worst cold supper at us you ever saw.

"Our young candidate ate heartily, consuming three slices of cold, soggy pie and praising it to the sky.

"After we left we told him he was too late. Sure enough, he did run just three votes behind the ticket in that town.

"No, sir, never suggest to any woman that she needs a cook

"No, sir, never suggest to any woman that she needs a cook book."

S HORTLY after the opening of the current session of Congress a woman visitor dropped into the office of the Clerk of the House of Representatives and asked if she could see the House at work. She received a gallery card and was told that after she had seen the House she ought to go to the other end of the Capitol and see the Senate.

In about an hour she returned.

"I've seen both the House and the Senate," she said. "Now, will you be good enough to tell me where I can see Con-

THERE are but two of them left in the Congress of the United States—veterans of the Civil War of the sixties. Once there were scores,

The survivors in the legislative halls today are Senator Francis E. Warren, Republican, of Wyoming, and Representative Charles M. Stedman, Democrat, of North Carolina. Warren fought in the blue uniform of the Union; Stedman in the gray of the Confederacy. They went through many battles. Warren served as a private and noncommis-sioned officer until his regiment, the 49th Infantry Regiment of Massachusetts, was mustered out. Stedman, too, entered the Confederacy as a private, first served with the Fayetteville Independent Light Infantry, then with a company from Chatham county and came out a major. He was with Lee's army until there came Appomattox, and was wounded three times.

Senator Warren has the Congressional Medal of Honor for conspicuous gallantry in action. Such honors, of course, could not be bestowed by the Federal government upon soldiers of the Confederacy.

Today each of these men is gray-haired and more than eighty years old. Major Stedman is eighty-six. Senator Warren is eighty-three. Senator Warren has served longer than any member in the present Senate, his present term of service beginning in 1895.

By rule of seniority and ability Senator Warren for several years past has been chairman of the Senate committee on Appropriations which, in these times, has final say on appropriations running into three or four billion dollars annually. Despite his age he handles these appropriation bills on the floor with great vigor and ability, even to the smallest detail. Parenthetically, he is the father-in-law of General John J. Pershing.

Major Stedman, as they affectionately call him in the House, is a native Tar Heel. He is the oldest man in the lower body, but entered public life rather late in life, having served since 1911. In the House today he has a congenial assignment as second ranking Democrat on the great Committee on Foreign Affairs.

And so these aged men carry on in their respective spheres, linking the present generation with two that have gone before.

WHEN John Addison Porter, of Connecticut, the first man to hold the position of "Secretary to the President," all his predecessors having been, by law, "private Secretaries," came into the White House with President McKinley in 1897, he employed a young stenographer out of the Bureau of Fisheries, then known as the Fish Commission, named Rudolph Forster. The young man went to work under George B. Cortelyou, the Chief Clerk, and showed such remarkable qualifications for executive duties that when Cortelyou was later made Secretary to the President, Forster was made Executive Clerk, a position he has held ever since. Changes of administration do not affect Mr. Forster. He is so completely a master of all phases of the work of the Executive Offices that he is indispensable. He has served under six Presidents—McKinley, Roosevelt, Taft, Wilson, Harding and Coolidge.

A President once wanted a valuable official transferred from one Department to another. The Cabinet Officer in whose Department this man was employed objected on the

whose Department this man was employed objected on the ground that the man could not be replaced. "Nonsense," replied the President, "you can easily find

"All right, Mr. President," replied the Cabinet Officer,
"I'll let him go if you'll let me have Rudolph Forster to
put in his place." "Why, of course not," the President replied emphatically. You know very well we can't do without Rudelph."

And that was that.

#### Uncle Sam's Book Shelf Continued from page 27

mation Bulletin 511.) Price, 10 cents. Covers Colombia politi-cal divisions, ports and shipping, transportation and communi-cation facilities, etc.

"Markets of the Netherlands East Indies;" by M. A. Pugh. (Trade Information Bulletin 509.) Price, 10 cents. Covers general characteristics, climate and soil, peoples, commercial centers, trade regions, outer possessions, etc.

#### Fruits and Vegetables

"Statistics of Fruits and Vegetables." (Agriculture Year-

"Statistics of Fruits and Vegetables." (Agriculture Tearbook, Separate 933.) Price, 10 cents. Covers fruits, vegetables, vegetable seed, and unloads.

"Bud Selection in Valencia Orange, Progeny Tests of Limb Variations;" by A. D. Shamel, and others. (Agriculture Bulletin 1483.) Price, 15 cents. Covers bud variation in Valencia orange, importance of bud selection, progeny performance

records, etc.

"The Jerusalem Artichoke as a Crop Plant;" by D. N. Shoemaker. (Agriculture Technical Bulletin 33. Price, 5 cents.

Covers kinds and sources of sugar, botanical history, distribution, and name of plant, economic history, etc.

#### Home Sewing

"Present Trends in Home Sewing;" by Ruth O'Brien. (Agriculture Miscellaneous Publication 4.) Price, 5 cents. Covers previous studies of home sewing, results of the present study, conclusions, and literature cited.

"Contributions to Fox Ethnology;" by Truman Michelson. (American Ethnology Bulletin 85.) Price, 75 cents. Covers ceremonial runners of the Fox Indians, some linguistic notes on the text, list of works cited, and index.

#### Leather Specifications

"United States Government Master Specification No. 496, for Leather, Hydraulic Packing (Vegetable Tanned)." (Standards Circular 340.) Price, 5 cents. Covers general specifications, grades, material and workmanship, etc.

"United States Government Master Specification No. 482, for Leather, Bag." (Standards Circular 338.) Price, 5 cents. Covers general specifications, grade, material, general requirements, detail requirements, etc.

"Shortleaf Pine Primer;" by Wilbur R. Mattoon. (Farmers Bulletin 1534.) Price, 10 cents. Covers growing shortleaf pine as a crop, growth of trees, scaling logs, estimating standing timber, timber production per acre, etc.

"The Control of Stain, Decay, and other Seasoning Defects in Red Gum;" by L. V. Teesdale. (Agriculture Circular 421.) Price, 10 cents. Covers cooperative study of losses in logs and lumber, cause of blue stain and decay, conditions affecting development of fungi, checking and other defects, etc.

Marble—How to Clean

"A Study of Problems Relating to the Maintenance of Interior Marble;" by D. W. Kessler. (Standards Technologic Papers 350.) Price, 35 cents. Covers cleaning preparations, physical effect of alkaline salts in cleaning preparations, efficiency of cleaning preparations, rinsing, etc.

"Some Economic Aspects of Marketing of Milk and Cream in New England;" by Wm. A. Schoenfeld. (Agriculture Circu-lar 16.) Price, 20 cents. Covers New England's major milk and cream market, movement of milk and cream into metro-politan Boston, probable effect of recent changes in freight rates, etc.

#### Money in Italy

"Italy's Monetary Policy:" by H. C. MacLean. (Trade Information Bulletin 512.) Price, 10 cents. Covers economic progress uncertain while lira fluctuates foundation for improvement laid in war-debt settlement, earlier stabilization attempts unsuccessful, etc.

"Revised Index Numbers of Wholesale Prices, 1923 to July, 1927." (Labor Bulletin 453.) Price, 10 cents. Covers revised index numbers of wholesale prices, by groups of commodities, index numbers of wholesale prices and purchasing power of the dollar, weights and base prices used in constructing revised

index numbers of wholesale prices, by groups of commod-

"Retail Prices, 1890 to 1926." (Labor Bulletin 445.) Price, 35 cents. Covers food, coal, gas, electricity, etc.

#### Prohibition Regulations

"Regulations 2 (being a Revision of Internal Revenue Regulations No. 60) Relating to Permits as Provided in Title II. National Prohibition Act for Manufacture of and Traffic in Intoxicating Liquors for Nonbeverage Purposes." Price, 40

"Regulations 3 (formerly No. 61) Relative to Production, Tax Payment, etc., of Industrial Alcohol, and to Manufacture, Sale, and Use of Denatured Alcohol Under Title III of National Prohibition Act of October 28, 1919." Price, 20 cents.

"Tabulation of Statistics Pertaining to Signals, Automatic Train Control, and the Telegraph and the Telephone for Transmission of Train Orders, as used on Railroads of United States, January 1, 1927." Price, 10 cents.

#### Interstate Commerce Commission Reports

"Interstate Commerce Commission Reports, Volume 118, Decisions of the Interstate Commerce Commission of the United States, October-December, 1926." Price, \$2.25.
"Interstate Commerce Commission Reports, Volume 119, Decisions of the Interstate Commerce Commission of the United States, October-December, 1926." (Valuation Reports.) Price,

"Interstate Commerce Commission Reports, Volume 120, Decisions of the Interstate Commerce Commission of the United States, December, 1926-January, 1927." Price, \$2.25.

\*\*Wubter\*\*

"United States Government Master Specification No. 492, for Boots, Rubber, Hip." (Standards Circular 349.) Price, 5 cents. Covers general specifications, grade, material and workmanship, general requirements, detail requirements, etc. "Some Vulcanization Tests of Guayule Rubber." By D. Spence and C. E. Boone. (Standards Technologic Papers 353.) Price, 5 cents. Covers Mexican wild guayule on pure-gum formula, Mexican wild guayule on zinc oxide formula, cultivated California guayule rubber on zinc oxide formula, etc. "Density and Electrical Properties of the System, Rubber Sulphur." By A. T. McPherson. (Standards Scientific Papers 560.) Price, 15 cents. Covers general plan of the investigation, preparation of specimens, method of making density determinations, density of unvulcanized mixtures of rubber and sultons, density of unvulcanized mixtures of rubber and sultions, density of unvulcanized mixtures of rubber and sul-

#### Shipping Data

"The Ports of Norfolk, Portsmouth, and Newport News, Virginia." (Port Series No. 15.) Price, \$1.15. Covers port and harbor conditions, port customs and regulations, port services

and charges, fuel and supplies, etc.

"Report on Volume of Water Borne Foreign Commerce of
United States by Ports of Origin and Destination, Fiscal Year 1926." (Shipping Board.) Price, \$1.25. Covers alphabetical index of United States ports, with foreign cargo movement of each, index of United States ports, grouped by States, with foreign cargo movement, alphabetical index of foreign countries, with total imports from and exports to each, etc.

#### Steam-Its Effect on Lime

"The Function of Steam in the Limekiln." By Ernest E. Berger. (Mines Technical Paper 415.) Price, 10 cents. Covers effect of steam on decomposition of limestone, effect of steam and carbon dioxide on combustion of fuel, etc.

#### Steel Specifications

"Standard Specifications for Steel Castings." (Industrial Standards 213.) Price, 5 cents. Covers manufacture, chemical properties and tests, physical properties and tests, etc.

"Standard Specifications for Structural Steel for Buildings."
(Industrial Standards 200.) Price, 5 cents. Covers manufacture, chemical properties and tests, physical properties and tests, etc.

#### Water Pollution

"A Study of the Pollution and Natural Purification of the Illinois River." By J. K. Hopkins, and others. (Public Health Bulletin 171.) Price, 50 cents. Covers features of Illinois River and its watershed, population of Illinois River watershed, and sources of pollution of the river, hydrometric measurements sets. ments, etc.

## How a New Congress is Organized Continued from page 6

of the Speaker's desk, several at a time, by States. Members of whose election there is no question, but whose certificates have not arrived, may be sworn in by unanimous consent.

Then follows the election of the Clerk, Sergeant-at-Arms, Doorkeeper, Postmaster, and Chaplain, usually by the adoption of a resolution. The subordinate employees of the officers of the House, excepting those on a Soldiers' Roll and such as may be exempt, are selected by a Patronage Committee.

The oath of office having been administered by the Speaker to the officers, the organization of the House is completed, and resolutions are adopted authorizing the Clerk to inform the President and the Senate thereof, and for the appointment of a committee to join a committee on the part of the Senate to wait on the President and notify him of the presence of the quorum, and that Congress is ready to receive any communication he may be pleased to make. The Senate passes a similar resolution notifying the House that the Senate has organized and is ready for business.

It is customary at this juncture for the House to agree to a resolution adopting the Rules of the last House, with or without change, until otherwise ordered. The House, however, has sometimes, as in the Fifty-first Congress, proceeded under general parliamentary law until rules are adopted permanently.

Before the adoption of rules, the House proceeds under general parliamentary law, founded on Jefferson's Manual and modified by the practice of American legislative assemblies, especially of the House of Representatives.

THE Committee on Committees selects the majority members of committees, usually following the seniority custom. These selections, as well as those of the minority, must be ratified by the Party Conference and elected by the House. This committee also nominates the personnel of the Steering Committee and of the Patronage Committee and selects the Majority Floor Leader, and the Whip, subject to the approval of the Conference.

This constitutes the machinery of the political majority of the House.

The political minority has its own method of organizing. As now constituted it acts chiefly by caucus decree. The caucus selects its membership on the Ways and Means Committee, and this in turn nominates minority representation on

committees. The caucus also elects a minority floor leader and an assistant. Its patronage consists of "minority employees," to the number authorized by law, who are selected in caucus.

The Majority Steering Committee consists of seven members, with the Floor Leader chairman ex-officio, and the Speaker by courtesy.

The Floor Leader is not a member of any House Committee, his position requiring him to be in touch with the work of all committees, through their chairmen. He is the majority spokesman in a parliamentary and political sense. But the conduct of particular business is generally controlled by the chairman of the committee reporting it.

The Patronage Committee consists of three members of the majority party.

The number of members to be appointed on committees of the House is determined by its rules, but the majority party conference fixes the ratio of party representation according, as near as may be, to the relative party representation in the House. The larger and more important committees are divided into sub-committees, the political ratio still being observed, such committees being necessary for expeditious action. Thus, the Appropriations Committee of 35 members is divided into eleven sub-committees, each formulating an appropriation bill.

The chairman of a committee, unless he assigns that duty to another member of the majority, usually has charge in the House of a measure reported from his committee; and the ranking minority member of the committee controls the debate for and represents his side.

The "ranking member" either was chairman when his party controlled the House or is in line for promotion when party control changes.

A distinction between a "majority" and a "political majority" should be made. The latter organizes, formulates, and customarily dominates the House, but the former, disregarding party lines, not infrequently controls a given situation. This also is sometimes the case in committees.

The Committee on Rules is an important part of the House political organization. It is given high privilege under the rules and can bring in special rules. Hence it is that the Steering Committee's program or policy must be often translated into action by one of these special rules.

# Should a Graduated Tax Be Applied to Corporations? Continued from page 25

#### HON. CARL R. CHINDBLOM-Continued

Now, my friend says that Mr. Mellon does not like surtaxes, and still Mr. Mellon approved the present law which provides for the payment of surtaxes by individuals. The gentleman says Mr. Mellon does not care about small corporations, and still Mr. Mellon recommended that small corporations or corporations with incomes of \$25,000 or less be allowed to file as partnerships.

Mr. Mellon recommended that corporations with incomes of \$25,000 or less should have the privilege of filing as partnerships, and that would have created a loss in the Treasury of \$35,000,000, \$11,000,000 more than this amendment proposes.

In section 26 in this bill the committee increased the exemption from \$2000 to \$3000 for corporations having an

income of \$25,000 or less, and this makes an actual saving in money of \$115 of taxes for each year for such corporations: First, an income of \$25,000 or less, and secondly, stockholders of 10 or less. A corporation with a capital of \$100,000 and an income of \$25,000 will be treated upon exactly the same basis; will pay exactly the same taxes, under the graduated system proposed by the gentleman, as would a corporation with a capitalization of \$1,000,000 and an income of \$25,000. Of course, I will concede that that is an extension of the present flat rate law, but when you try to graduate the tax, when you try to make steps of it so as to make it dependent upon the amount of income by gradations, you are simply making more vicious the system which now exists, under which we pay no attention to the capitalization of the corporation but tax it only upon its income.—Extracts, see 6, p. 34.

### The President Outlines the Administration Program Continued from page 15

plan that reduction in rates of Federal taxes should be permanent. This is the only proper basis for tax reduction. In a business of the magnitude of that of the Federal Government there must be a margin of safety. The fact that this margin has grown to large proportions in the past fiscal years carries no assurance that that will continue. I am in favor of tax reduction. I am not in favor of any such reduction as will jeopardize our financial stability. The assurance that Federal expenditures will be kept within Federal receipts has bulwarked public confidence, it has contributed measurably to the prosperous condition of the country, it has ministered to the justifiable pride of our people in their Government and in its orderly and sane processes. To jeopardize our balanced budget, to do anything that in the most remote degree would threaten to interfere with the orderly processes of wise financing, to take steps in the interest of tax reduction that would necessitate either revolutionary curtailment of important Federal projects and activities or compel a later upward revision of tax rates, or both, is unthinkable. I am convinced the people of this country are overwhelmingly in favor of keeping the Budget balanced and are just as overwhelmingly opposed to any measure or measures that would make any other result even remotely possible.

I am counting on the continued prosperity of the Nation in recommending a tax reduction of \$225,000,000. I am also counting on the determined continuance of the campaign for rigid Government economy. I believe that a tax reduction in the sum which I have mentioned is justified. We must, however, preserve the sanctity of a balanced budget. Under the law made by the Congress the President can not countenance a program of expenditure or approve estimates for appropriations that threaten to interfere with the annual balancing of the National Budget .- Extracts, see 1, p. 36.

## Paragraph News of National Issues

Continued from page 11

seriously considered at this session. (Se arsr, October, 1924, and June-July, 1926.) (See Congressional Di-

RAILROADS.—Hearings were held on the railroad consoli-dation bill introduced in the last Congress, but it was not reported out of the committee. Senator Fess has introduced an identical bill at this session which has been referred to the Committee on Interstate Commerce. It provides for the unifi-cation of railroads in this country into a number of strong systems for the general improvement of transportation condi-

The bill has also been reintroduced in the House by Mr. Parker and referred to the House Committee on Interstate and Foreign Commerce. (See Congressional Digest, October, 1923, and March, 1927.)

ST. LAWRENCE CANAL.—Action on the St. Lawrence Canal must be deferred by Congress until Canada is heard from. A joint committee of Canadian and American engineers made a report to the two Governments on the physical problems involved. The St. Lawrence Commission of the United States reported, recommending that the two Governments enter into a treaty, but the National Advisory Council for Canada on the St. Lawrence project announced it would await the appendices of the engineers' report before making its recommendations. The appendices are now printed and in the hands of the Canadian Government. Should the Canadian Commission report in favor of a treaty and the Canadian Government accept its recommendations, the next step would be the drafting of a treaty by the U. S. Department of State and the Canadian Department of External Affairs. If and when the treaty is drafted it will be sent to the Senate for ratification. If the treaty is ratified a bill will be introduced in the House authorizing a bond issue to defray America's share of the cost of the

project. As a revenue raising measure this bill must originate in the House and will be referred to the Committee on Ways and Means.

ALL-AMERICAN INLAND SHIP CANAL—(See St. Law-rence Canal Item Below).—The bill of Rep. Wallace Dempsey (R) of New York, for an all-American Canal from the Great Lakes to New York, was before the House Committee on Rivers and Harbors when the 69th Congress adjourned. Mr. Dempsey announced at the close of the session that he would not reintroduce his bill until the St. Lawrence project comes be-

TARIFF.—Various bills for changes in the tariff laws have been introduced in the House, where they all must originate, since they have to do with the raising of revenues, and referred to the Ways and Means Committee; while it is possible that the committee might report bills for slight modifications of existing tariff schedules, no serious alteration is expected.

VETERANS.—The bills to extend retirement allowances to the emergency officers in the Army during the world war were reported out of both the House and Senate Committees at the last Congress. The Tyson bill lacked only seven votes of being passed in the Senate under the cloture rule. It has been reintroduced. A number of hospitalization bills have also been introduced.

WOMAN'S EQUAL RIGHTS AMENDMENT.—Joint resolutions providing for Equal Rights legislation will be introduced both in the Senate and the House during this session of Congress. As usual Senator Curtis, of Kansas, will sponsor the resolution in the Senate. Hearings were held before the Judiciary Committees of both the House and Senate during the last Congress, but no action was taken on the floor of either House. (See Congressional Digest, March, 1924.)

## Sources from Which Material in This Number is Taken

Articles for which no source is given have been specially prepared for this number of The Congressional Digest

- 2-Speech at Bankers' Forum Dinner, N. Y. C., Dec. 10, 1927.
- 8—Statement of the Secretary of the U. S. Treasury, addressed to the President of the Chamber of Commerce of the U. S., Dec. 4, 1927.
- 1—Message of the President of the U. S. Transmitting to 4—Referendum No. 50, Report of the Committee on Federal Congress the Budget of 1929. Taxation, Chamber of Commerce of the U.S.
  - -Statement before the Ways and Means Committee during hearings October 31 to November 10, 1927.
  - 6-Congressional Record, December 12, 1927.

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